

# **Monterey Urban County Analysis of Impediments to Fair Housing Choice**



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Lead Agency

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# Chapter 1

## Introduction

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The County of Monterey is located on the central coast of California and is one of the largest counties geographically in the State of California. The County covers more than 3,300 square miles and is comprised of diverse natural habitats and residential communities. Monterey County is bordered by Santa Cruz County to the north, San Benito, Fresno and King Counties to the east, and San Luis Obispo County to the south. The County’s northwestern section forms the southern half of Monterey Bay.

This report covers the Monterey Urban County Entitlement Area, which is comprised of the cities of Del Rey Oaks and Gonzales (participating cities) and the unincorporated areas of Monterey County.

### A. Purpose of the Report

The Monterey Urban County (“Urban County”) has established a commitment towards providing equal housing opportunities for its existing and future residents. Through the federally-funded Community Development Block Grant (CDBG) program, and other state and local programs, the Urban County works to provide a decent living environment for all. Pursuant to CDBG regulations [24 CFR Subtitle A §91.225(a)(1)], to receive CDBG funds, a jurisdiction must certify that it “actively furthers fair housing choice” through the following:

- Completion of an Analysis of Impediments to Fair Housing Choice (AI);
- Actions to eliminate identified impediments; and
- Maintenance of fair housing records.

This report, the Analysis of Impediments to Fair Housing Choice (commonly known as the “AI”), presents a demographic profile of the Urban County, assesses the extent of fair housing issues among specific groups, and evaluates the availability of a range of housing choices for all residents. This report also analyzes the conditions in the private market and public sector that may limit the range of housing choices or impede a person’s access to housing.

The Urban County is a new entitlement jurisdiction under the Federal CDBG program. This report represents the Urban County’s first AI report.

## B. Legal Framework

Fair housing is a right protected by both Federal and State of California laws. Among these laws, virtually every housing unit in California is subject to fair housing practices.

### 1. Federal Laws

The federal **Fair Housing Act of 1968** and **Fair Housing Amendments Act of 1988** (42 U.S. Code §§ 3601-3619, 3631) are federal fair housing laws that prohibit discrimination in all aspects of housing, including the sale, rental, lease, or negotiation for real property. The Fair Housing Act prohibits discrimination based on the following protected classes:

- Race or color
- Religion
- Sex
- Familial status
- National origin
- Disability (mental or physical)

Specifically, it is unlawful to:

- Refuse to sell or rent after the making of a bona fide offer, or to refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny, a dwelling to any person because of race, color, religion, sex, disability, familial status, or national origin.
- Discriminate against any person in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection therewith, because of race, color, religion, sex, disability, familial status, or national origin.
- Make, print, or publish, or cause to be made, printed, or published any notice, statement, or advertisement, with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, religion, sex, disability, familial status, or national origin, or an intention to make any such preference, limitation, or discrimination.
- Represent to any person because of race, color, religion, sex, disability, familial status, or national origin that any dwelling is not available for inspection, sale, or rental when such dwelling is in fact so available.
- For profit, induce or attempt to induce any person to sell or rent any dwelling by representations regarding the entry or prospective entry into the neighborhood of a person or persons of a particular race, color, religion, sex, disability, familial status, or national origin.

**Reasonable Accommodations and Accessibility:** The Fair Housing Amendments Act requires owners of housing facilities to make “reasonable accommodations” (exceptions) in their rules,

policies, and operations to give people with disabilities equal housing opportunities. For example, a landlord with a "no pets" policy may be required to grant an exception to this rule and allow an individual who is blind to keep a guide dog in the residence. The Fair Housing Act also requires landlords to allow tenants with disabilities to make reasonable access-related modifications to their private living space, as well as to common use spaces, at the tenant's own expense. Finally, the Act requires that new multi-family housing with four or more units be designed and built to allow access for persons with disabilities. This includes accessible common use areas, doors that are wide enough for wheelchairs, kitchens and bathrooms that allow a person using a wheelchair to maneuver, and other adaptable features within the units.

**HUD Final Rule on Equal Access to Housing in HUD Programs:** On March 5, 2012, HUD published the Final Rule on "Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity." It applies to all McKinney-Vento-funded housing programs, as well as to other housing assisted or insured by HUD. The rule creates a new regulatory provision that generally prohibits considering a person's marital status, sexual orientation, or gender identity (a person's internal sense of being male or female) in making homeless housing assistance available.

## 2. California Laws

The State Department of Fair Employment and Housing (DFEH) enforces California laws that provide protection and monetary relief to victims of unlawful housing practices. The **Fair Employment and Housing Act** (FEHA) (Government Code Section 12955 et seq.) prohibits discrimination and harassment in housing practices, including:

- Advertising
- Application and selection process
- Unlawful evictions
- Terms and conditions of tenancy
- Privileges of occupancy
- Mortgage loans and insurance
- Public and private land use practices (zoning)
- Unlawful restrictive covenants

The following categories are protected by FEHA:

- Race or color
- Ancestry or national origin
- Sex
- Marital status
- Source of income
- Sexual orientation
- Familial status (households with children under 18 years of age)
- Religion
- Mental/physical disability

- Medical condition
- Age

In addition, the FEHA contains similar reasonable accommodations and accessibility provisions as the federal Fair Housing Amendments Act.

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. While the Unruh Civil Rights Act specifically lists “sex, race, color, religion, ancestry, national origin, disability, or medical condition” as protected classes, the California Supreme Court has held that protections under the Unruh Act are not necessarily restricted to these characteristics.

Furthermore, the **Ralph Civil Rights Act** (California Civil Code Section 51.7) forbids acts of violence or threats of violence because of a person’s race, color, religion, ancestry, national origin, age, disability, sex, sexual orientation, political affiliation, or position in a labor dispute. Hate violence can be: verbal or written threats; physical assault or attempted assault; and graffiti, vandalism, or property damage.

The **Bane Civil Rights Act** (California Civil Code Section 52.1) provides another layer of protection for fair housing choice by protecting all people in California from interference by force or threat of force with an individual’s constitutional or statutory rights, including a right to equal access to housing. The Bane Act also includes criminal penalties for hate crimes; however, convictions under the Act are not allowed for speech alone unless that speech itself threatened violence.

And, finally, **California Civil Code Section 1940.3** prohibits landlords from questioning potential residents about their immigration or citizenship status. Landlords in most states are free to inquire about a potential tenant’s immigration status and to reject applicants who are in the United States illegally. In addition, this law forbids local jurisdictions from passing laws that direct landlords to make inquiries about a person’s citizenship or immigration status.

In addition to these acts, **Government Code Sections 11135, 65008, and 65580-65589.8** prohibit discrimination in programs funded by the State and in any land use decisions. Specifically, recent changes to State law require local jurisdictions to address the provision of housing options for special needs groups, including:

- Housing for persons with disabilities (SB 520)
- Housing for homeless persons, including emergency shelters, transitional housing, and supportive housing (SB 2)
- Housing for extremely low-income households, including single-room occupancy units (AB 2634)
- Housing for persons with developmental disabilities (SB 812)



### 3. Fair Housing Defined

In light of the various pieces of fair housing legislation passed at the federal and state levels, fair housing throughout this report is defined as follows:

*A condition in which individuals of similar income levels in the same housing market have a like range of choice available to them regardless of race, color, ancestry, national origin, religion, sex, disability/medical conditions, age, marital status, familial status, sexual orientation, gender identity, source of income, or any other category which may be defined by law now or in the future.*

### 4. Housing Issues, Affordability, and Fair Housing

HUD's Fair Housing and Equal Opportunity (FHEO) Division draws a distinction between housing affordability and fair housing. Economic factors that affect a household's housing choices are not fair housing issues per se. Only when the relationship between household income, household type, race/ethnicity, and other factors create misconceptions, biases, and differential treatments would fair housing concerns arise.

Tenant/landlord disputes are also typically not related to fair housing. Most disputes between tenants and landlords result from a lack of understanding by either or both parties on their rights and responsibilities. Tenant/landlord disputes and housing discrimination cross paths when the disputes are based on factors protected by fair housing laws and result in differential treatment.

### 5. Impediments Identified

Within the legal framework of federal and state laws, and based on the guidance provided by HUD's *Fair Housing Planning Guide*, impediments to fair housing choice can be defined as:

*Any actions, omissions, or decisions taken because of race, color, ancestry, national origin, religion, sex, disability/medical conditions, age, marital status, familial status, sexual orientation, gender identity, or source of income which restrict housing choices or the availability of housing choices; or*

*Any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of race, color, ancestry, national origin, religion, sex, disability/medical conditions, age, marital status, familial status, sexual orientation, gender identity, or source of income.*

To affirmatively promote equal housing opportunity, a community must work to remove impediments to fair housing choice. Furthermore, eligibility for certain federal funds requires the compliance with federal fair housing laws.

## 6. Organization of the Report

This report is divided into eight chapters:

**Chapter 1: Introduction** defines “fair housing” and explains the purpose of this report.

**Chapter 2: Community Participation** describes the community outreach program and summarizes comments from residents and various agencies on fair housing issues such as discrimination, housing impediments, and housing trends.

**Chapter 3: Community Profile** presents the demographic, housing, and income characteristics in Del Rey Oaks, Gonzales, and the unincorporated areas of Monterey County. Major employers and transportation access to job centers are identified. The relationships among these variables are discussed. In addition, this section evaluates if community residential care facilities, public and assisted housing projects, as well as Housing Choice Voucher recipients in the three jurisdictions, are unduly concentrated in low- and moderate-income areas. Also, the degree of housing segregation based on race is evaluated by computing the Index of Dissimilarity.

**Chapter 4: Lending Practices** assesses the access to financing for different groups. Predatory and subprime lending issues are discussed.

**Chapter 5: Public Policies** analyzes various public policies and actions that may impede fair housing within the three jurisdictions.

**Chapter 6: Fair Housing Profile** evaluates existing public and private programs, services, practices, and activities that assist in providing fair housing in the three jurisdictions. This chapter also assesses the nature and extent of fair housing complaints and violations in Del Rey Oaks, Gonzales, and the unincorporated areas of Monterey County. Trends and patterns of impediments to fair housing, as identified by public and private agencies, are included.

**Chapter 7: Progress in Addressing Fair Housing Issues** evaluates the Urban County’s progress toward addressing impediments to fair housing choice.

**Chapter 8: Fair Housing Action Plan** summarizes the findings regarding fair housing issues in the three jurisdictions and provides a plan of action for furthering fair housing practices.

This report also includes a Signature Page with the signature of the Chair of the Board of Supervisors, together with a statement certifying that the Analysis of Impediments represents the Urban County’s official conclusions regarding impediments to fair housing choice and the actions necessary to address identified impediments.

# Chapter 2

## Public Participation

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This Analysis of Impediments (AI) to Fair Housing Choice report has been developed to provide an overview of laws, regulations, conditions, or other possible obstacles that may affect an individual's or a household's access to housing. As part of this effort, the report incorporates the issues and concerns of residents, housing professionals, and service providers. To assure the report responds to community needs, a community outreach program consisting of public meetings, a fair housing survey, and consultation with agencies and community stakeholders was conducted in the development of this report. The outreach program for the AI was conducted jointly with the Urban County's Consolidated Plan development process. This chapter describes the community outreach program conducted for this report. Documentation of the outreach efforts has been included as an appendix to the FY 2013 – FY 2017 Consolidated Plan and is therefore not repeated in this document.

### A. Consultation with Public and Nonprofit Service Agencies

Two CDBG funding application and consultation workshops were conducted on December 5, 2012. Prior to the workshops, a Notice of Funding Availability (NOFA) was published in four newspapers (Salinas Californian, El Sol, Monterey Herald, and Gonzales Tribune) in English and/or Spanish. The public notice was also mailed to 140 public and nonprofit service agencies that may provide services in the Urban County area. Representatives from 20 agencies/organizations attended the application/consultation workshops.

### B. Community Workshops

Three community workshops were conducted:

- January 7 – Gonzales
- January 8 – Del Rey Oaks
- January 9 – County of Monterey

Notice of the community workshops was published in four newspapers (Salinas Californian, El Sol, Monterey Herald, and Gonzales Tribune). The notice was published in English and/or Spanish and also mailed to over 200 public and nonprofit service agencies as well as other community stakeholders. Four agencies attended the workshop in the County.

## C. Fair Housing Survey

The Fair Housing Survey sought to gain knowledge about the nature and extent of fair housing issues experienced by Urban County residents. The survey consisted of ten questions designed to gather information on a person's experience with fair housing issues and perception of fair housing issues in his/her neighborhood. A copy of the survey is included as part of Appendix A.

The survey was available in English and Spanish, and distributed via the following methods:

- Distributed at the consultation workshops and community workshops;
- Posted on the websites of the County of Monterey and the cities of Del Rey Oaks and Gonzales; and
- Solicited service providers to post the survey link on their websites and to help distribute surveys to their clients.

### Discrimination

A total of 39 Monterey County residents responded to the Fair Housing Survey. Since the respondents had the option of skipping certain questions, each question may have a different number of respondents. The respondents resided in ZIP Codes across the entire Urban County. About 94 percent of survey respondents stated that they were homeowners. A majority of survey recipients felt that housing discrimination was not an issue in their neighborhoods.

About 94 percent of the respondents had not experienced housing discrimination. Among the two respondents indicating that they had experienced housing discrimination, only one person elaborated on the details of the incident. This person indicated that the incident occurred in a single-family neighborhood and that a real estate agent was responsible. This individual also felt that the act of discrimination was based on race and national origin. Specifically, this person felt that they were spoken to in a condescending manner and pressured to accept an offer without having the opportunity for proper deliberation. This incident was reported by the victim to a human resources director.

### Hate Crimes

Of those responding to the questions relating to hate crimes, only one person indicated that a hate crime had been committed in their neighborhood. The single alleged hate crime was based on race and color, according to the respondent.

## D. Key Issues Identified

Most comments received during the public outreach process were related to the lack of affordable housing and lack of adequate infrastructure and facilities to provide a decent living environment for the Urban County residents. However, one service provider raised concerns regarding housing fraud targeting seniors and non-English speakers.

## E. Public Review Draft of AI

The Draft AI was made available for a 30-day public review from April 5, 2013 through May 6, 2013. Notices of availability of the document and/or public hearings were published in four newspapers (Salinas Californian, El Sol, Monterey Herald, and Gonzales Tribune).

# Chapter 3

## Community Profile

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As one of the largest counties in the State of California, Monterey County covers more than 3,300 square miles and is comprised of diverse natural habitats and residential communities. This diversity ranges from rich farmland located within the Salinas Valley to the tall peaks of the Santa Lucia Mountains whose fast steep incline helps make up the dramatic Big Sur coastline along the Pacific Ocean. The rich agricultural land, mild climate, and spectacular coastline have made Monterey County famous throughout the world. Located in the central coast region of California, Monterey County is a highly desirable location for families and individuals seeking residence in a semi-rural setting. Historically, there had been a strong military presence in the area with Fort Ord along the coast and Camp Roberts at the southern end of the County. Base closures, however, have resulted in reducing the military presence and efforts to reuse of major portions of the former Fort Ord. The County also has a long farming history. Farming and related industries are the bedrock of the County's economic base. Accommodating the need for new housing and commercial services for incoming residents while balancing the desire to preserve the pristine natural environment, as well as prime farmland, may impact fair housing choice and opportunities in the Urban County.

A key goal for fair housing programs is to foster an inclusive environment, one in which all people have the opportunity to live in decent and suitable homes and are treated equally in the rental, sale, or occupancy of housing. The community profile chapter provides background information on demographics, housing, employment, special needs groups, and other characteristics that describe the Urban County. All of these factors can affect housing choice, housing opportunities, and the type of fair housing issues people in a community may encounter. This overview provides the context for discussing and evaluating fair housing in the following chapters.

### A. Demographic Profile

Examination of demographic characteristics provides some insight regarding the need and extent of equal access to housing in a community. Factors such as population growth, age characteristics, and race/ethnicity all help determine a community's housing needs and play a role in exploring potential impediments to fair housing choice.

#### 1. Population Growth

On February 18, 1850, the Monterey Bay region was officially split into two counties—Monterey County and Santa Cruz County. At that time, the total population count in Monterey County was 1,872 persons. By 1900, the population of Monterey County had grown to 19,380, and in 1950, the total countywide population had increased to 130,498 persons. The 2000 U.S. Census reported 401,762 residents in the County as of January 1, 2000. In 2000, Monterey County ranked 18th in population size among the 58 counties in California. By 2010, the total population in Monterey County had grown to 415,057.

Over the last several decades, the proportion of County residents living in the unincorporated areas of Monterey County has decreased. In 1980, population in the unincorporated areas represented 29 percent of the total countywide population. By 2000, that percentage had decreased to 25 percent but has remained fairly stable through 2010, decreasing only slightly to 24 percent. Decreases in population are primarily results of annexations.

<b>Table 1: Population Growth (1980–2010)</b>					
<b>Year</b>	<b>Total County Population</b>	<b>Unincorporated Areas Population</b>	<b>Unincorporated Population as a % of County Population</b>	<b>Del Rey Oaks Population</b>	<b>Gonzales Population</b>
1980	290,444	84,497	29%	1,557	2,891
1990	355,660	100,479	28%	1,661	4,660
2000	401,762	100,258	25%	1,650	7,525
2010	415,057	100,213	24%	1,624	8,187

Source: Bureau of the Census, 1980-2010.

Approximately 49 percent (48,836 persons) of the County’s 2010 unincorporated population resides in a “Census Designated Place (CDP).” A full list of CDPs in Monterey County, along with corresponding population data, can be found in Table 2. The largest of the CDPs is Prunedale, which had 17,560 residents in 2010. Between 2000 and 2010, the Urban County as a whole experienced a minimal increase in population (less than one percent), which was mostly due to population growth in the City of Gonzales. Overall, population growth in Del Rey Oaks has been minimal since 1980. Population growth in Gonzales increased significantly during the same time period; however, the pace slowed in between 2000 to 2010.

<b>Table 2: Population Growth by Subarea (2000-2010)</b>			
<b>Area</b>	<b>2000</b>	<b>2010</b>	<b>Percent Change</b>
<b>Unincorporated Monterey County</b>			
Aromas	1,427	1,358	-4.8%
Boronda	1,325	1,710	29.1%
Bradley	120	93	-22.5%
Carmel Valley Village	4,700	4,407	-6.2%
Castroville	6,724	6,481	-3.6%
Chualar	1,444	1,190	-17.6%
Del Monte Forest	4,531	4,514	-0.4%
Elkhorn	1,591	1,565	-1.6%
Las Lomas	3,078	3,024	-1.8%
Lockwood	--	379	--
Moss Landing	300	204	-32.0%
Pajaro	3,384	3,070	-9.3%
Pine Canyon	--	1,822	--
Prunedale	16,432	17,560	6.9%
San Ardo	501	517	3.2%
San Lucas	419	269	-35.8%
Spreckels	485	673	38.8%
Balance of Unincorporated Monterey County	53,791	51,377	-4.5%
<b>Total Unincorporated Monterey County</b>	<b>100,252</b>	<b>100,213</b>	<b>&lt;-0.1%</b>
<b>Cities</b>			
Del Rey Oaks	1,650	1,624	-1.6%
Gonzales	7,525	8,187	8.8%
<b>Total</b>			
Urban County	109,427	110,024	0.5%
Monterey County	401,762	415,057	3.3%

Source: Bureau of the Census, 2000-2010.

## 2. Age Characteristics

Housing demand is affected by the age characteristics of residents in a community. Different age groups are often distinguished by important differences in lifestyle, family type, housing preferences and income levels. Typically, young adult households may occupy apartments, condominiums, and smaller single-family homes because of size and/or affordability. Middle-age adults may prefer larger homes as they begin to raise their families, while seniors may prefer apartments, condominiums, mobile homes, or smaller single-family homes that have lower costs and less extensive maintenance needs.

Overall, residents of the Urban County were slightly older than the County as a whole. The Urban County had a larger proportion of older adults and seniors (persons age 45 and older) than the County, and a lower proportion of persons ages 20 to 44 (Table 3).



**Table 3: Age Characteristics by Subarea (2010)**

Area	Under 5	5 to19	20 to 24	25 to 44	45 to 65	65+	Total	Median Age
<b>Unincorporated Monterey County</b>								
Aromas	3.7%	22.2%	1%	32.3%	55.9%	16.3%	1,358	42.1
Boronda	10.6%	25.9%	9.2%	27.8%	19.5%	6.9%	1,710	27.2
Bradley	1.1%	26.9%	1.1%	25.8%	35.5%	9.7%	93	39.8
Carmel Valley Village	3.6%	15.6%	3.2%	16.5%	40.6%	20.6%	4,407	51.7
Castroville	10.3%	27.1%	9.8%	28.9%	17.5%	6.4%	6,481	26.7
Chualar	9.2%	30.6%	7.7%	27.7%	19.7%	5.0%	1,190	26.6
Del Monte Forest	2.2%	17.2%	1.9%	12.0%	32.1%	34.6%	4,514	57.8
Elkhorn	6.5%	19.5%	6.8%	22.3%	33.2%	11.8%	1,565	41.5
Las Lomas	9.2%	27.9%	8.2%	29.8%	18.5%	6.4%	3,024	27.7
Lockwood	5.8%	22.2%	2.1%	20.6%	36.9%	12.4%	379	44.5
Moss Landing	3.9%	12.7%	2.9%	26.5%	41.2%	12.7%	204	46.5
Pajaro	12.1%	26.9%	9.8%	31.6%	15.3%	4.2%	3,070	25.6
Pine Canyon	6.2%	27.3%	5.4%	26.1%	24.9%	10.0%	1,802	34.4
Prunedale	6.3%	21.3%	6.1%	22.4%	32.2%	11.7%	17,560	40.1
San Ardo	10.6%	29.2%	8.7%	26.9%	16.1%	8.5%	517	26.6
San Lucas	8.2%	28.3%	10.0%	27.5%	21.6%	4.5%	269	26.3
Spreckels	6.2%	21.8%	4.0%	25.7%	30.9%	11.3%	673	39.4
Balance of Unincorporated Monterey County	5.1%	18.7%	5.6%	20.8%	31.2%	18.5%	51,377	N/A
Total Unincorporated County	6.0%	20.6%	6.0%	22.0%	29.7%	15.6%	100,213	N/A
<b>Cities</b>								
Del Rey Oaks	4.9%	14.5%	3.7%	25.4%	32.5%	19.0%	1,624	46.2
Gonzales	10.2%	28.1%	8.2%	28.8%	18.7%	6.0%	8,187	27.0
<b>Total</b>								
Urban County	6.3%	21.1%	6.2%	22.6%	28.9%	15.0%	110,024	N/A
Monterey County	7.8%	22.2%	7.8%	28.2%	23.2%	10.7%	415,057	32.9

Note: Median age is a calculated field by the Census Bureau. The Census Bureau does not provide a median age calculation for the unincorporated areas that are not within a Census Designated Plan.

Source: Bureau of the Census, 2010.

### 3. Race and Ethnicity

Housing needs and preferences are sometimes influenced by cultural practices. The nation's demographic profiles are becoming increasingly diverse in their racial and ethnic compositions. In 2010, at least three out of ten U.S. residents were non-Whites.

According to the 2010 Census, the racial/ethnic composition of the Urban County's population was: 50 percent White (non-Hispanic); 43 percent Hispanic; four percent Asian and Pacific Islander; one percent Black; and three percent indicating other ethnic groups (see Table 4). In comparison, the State-wide ethnic distribution was slightly more diverse, with 40 percent White (non-Hispanic); 38 percent Hispanic; 13 percent Asian and Pacific Islander; six percent Black; and three percent other ethnic groups.

**Table 4: Racial and Ethnic Composition (2010)**

Area	White	Black	Asian/Pac. Islander	Hispanic	Other
<b>Unincorporated Monterey County</b>					
Aromas	56.6%	0.3%	2.6%	37.6%	2.9%
Boronda	6.4%	0.3%	6.1%	85.2%	2.0%
Bradley	86.0%	0.0%	0.0%	11.8%	2.2%
Carmel Valley Village	87.6%	0.4%	1.8%	7.4%	2.7%
Castroville	5.8%	0.7%	2.2%	90.1%	1.1%
Chualar	1.8%	0.1%	0.6%	96.7%	0.8%
Del Monte Forest	84.3%	0.9%	8.6%	3.7%	2.4%
Elkhorn	54.9%	0.6%	3.8%	37.6%	3.1%
Las Lomas	7.7%	0.2%	1.6%	89.2%	1.4%
Lockwood	67.3%	1.1%	0.5%	26.4%	4.7%
Moss Landing	67.6%	3.4%	1.5%	22.5%	4.9%
Pajaro	3.4%	0.2%	1.3%	94.1%	1.0%
Pine Canyon	42.0%	1.0%	0.8%	54.0%	2.2%
Prunedale	50.1%	0.8%	3.7%	41.7%	3.6%
San Ardo	26.9%	0.2%	1.0%	70.2%	1.7%
San Lucas	8.9%	0.0%	2.2%	83.3%	5.6%
Spreckels	65.1%	0.0%	3.7%	28.7%	2.5%
Balance of Unincorporated Monterey County	62.1%	1.1%	4.6%	29.1%	3.0%
Total Unincorporated County	52.6%	0.9%	4.0%	39.7%	2.8%
<b>Cities</b>					
Del Rey Oaks	76.2%	0.8%	8.0%	10.4%	4.6%
Gonzales	7.9%	0.3%	1.7%	88.9%	1.1%
<b>Total</b>					
Urban County	49.6%	0.9%	3.9%	43.0%	2.7%
Monterey County	32.9%	2.7%	6.2%	55.4%	2.8%

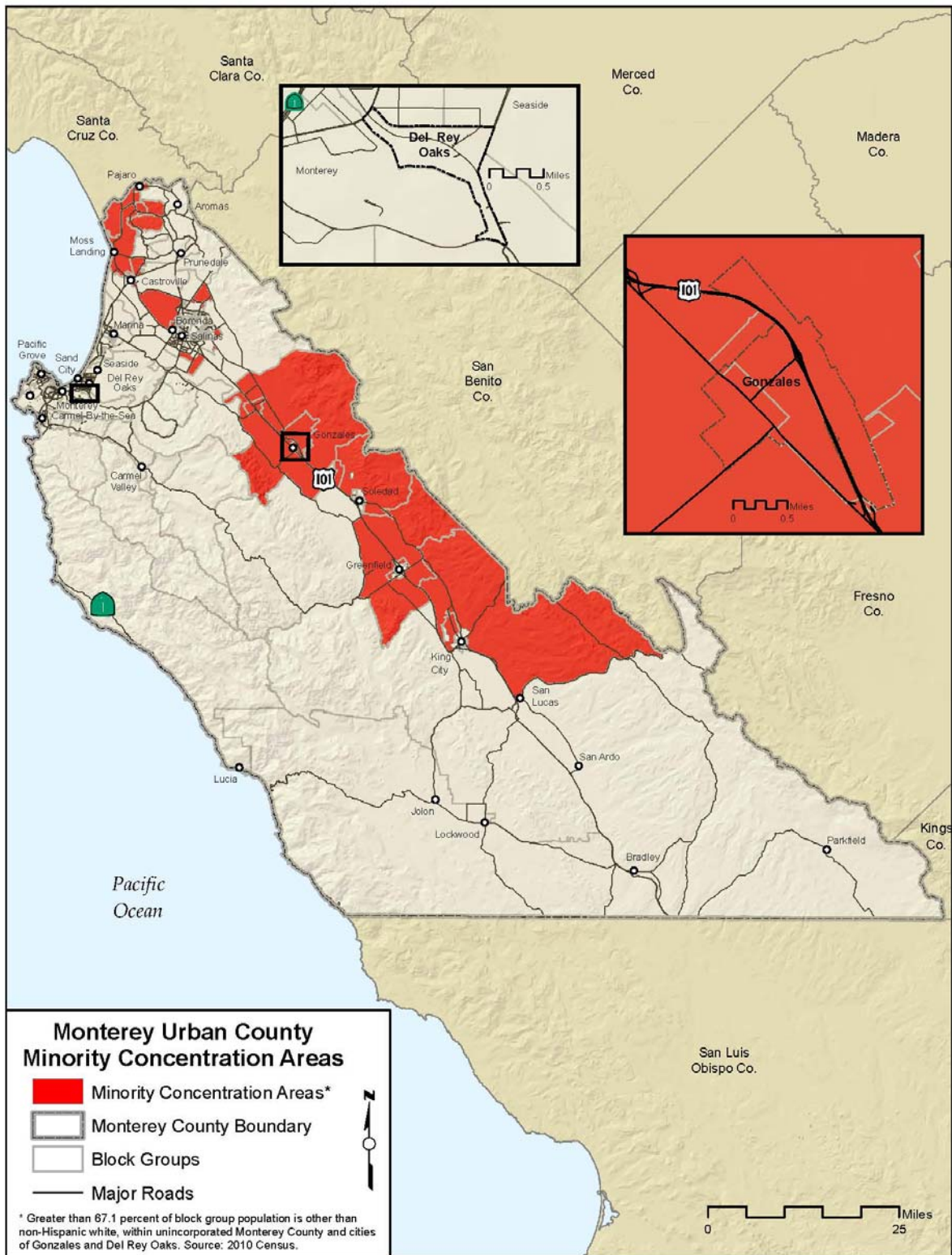
Source: Bureau of the Census, 2010.

### Areas of Minority Concentrations

Areas with concentrations of minority residents may have different needs. A "concentration" is defined as a block group whose proportion of minority households is greater than the overall Monterey County average of 67.1 percent.<sup>1</sup> As summarized in Table 4, racial and ethnic composition varies considerably across the region and Figure 1 illustrates concentrations of minority households by Census block group in the Urban County. Minority concentration areas within the Urban County are located primarily in the eastern portions of the County, including the City of Gonzales, where wine cultivation is a key industry. Northern portions of the unincorporated County also have minority concentration areas. Specifically the CDPs of Boronda, Moss Landing, and Pajaro have significant concentrations of minority residents.

<sup>1</sup> This definition of concentration is derived from the concept of Location Quotient (LQ), which is calculated by comparing the proportion of one group in a smaller geographic unit (e.g. block group) to the proportion of that group in the larger population (e.g. county).

**Figure 1: Minority Concentrations**



## Linguistic Isolation

According to 2006-2010 ACS<sup>2</sup> estimates, approximately 15.8 percent of Gonzales residents and 39.1 percent of Del Rey Oaks residents were foreign born. About 30.1 percent of Monterey County residents were foreign.

A linguistically isolated household can be described as a household whose members have at least some difficulty speaking English. The ACS provides information on households with persons five years and over who speak English “less than very well.” In Del Rey Oaks, 7.9 percent of residents spoke English “less than very well” and can be considered linguistically isolated. In Gonzales, an estimated 42.7 percent of the population can be considered linguistically isolated. In Monterey County, 27.7 percent of the population could be considered linguistically isolated. The language most commonly spoken by residents who speak English “less than very well” was Spanish.

Language barriers may prevent residents from accessing services, information, and housing, and may also affect educational attainment and employment. Executive Order 13166 (“Improving Access to Services by Persons with Limited English Proficiency”) was issued in August 2000, which requires federal agencies to assess and address the needs of otherwise eligible persons seeking access to federally conducted programs and activities who, due to Limited English Proficiency (LEP), cannot fully and equally participate in or benefit from those programs and activities. This requirement passes down to grantees of federal funds as well; therefore, the Urban County is responsible for ensuring compliance with this regulation for each participating jurisdiction and their sub-recipients. To the extent feasible, advertising for services and programs will be made available in English and Spanish to ensure equal access to LEP persons for the implementation of services in the Urban County’s CDBG program. The majority of the public service agencies funded each year will also provide Spanish translation and will be monitored for compliance.

## B. Household Profile

The household profile, which outlines characteristics of the Urban County’s households, aids in understanding housing needs. Households with different characteristics have unique housing needs and may face different impediments in the housing market. Various household characteristics may affect equal access to housing, including household type, size, and income level. A household, as defined by the U.S. Census Bureau, includes all the persons who occupy a housing unit, which may include a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements. This section details the various household characteristics that may affect equal access to housing.

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<sup>2</sup> The 2010 Census contains only limited data about the population. The Census has instituted a new method of providing updates to socioeconomic data regarding the population using the American Community Survey (ACS). ACS is a limited sample of the population but is conducted more frequently than the Census. Sample data are averaged over a period of time. Also, different variables are surveyed at different frequency schedules depending on the size of the community, resulting in multiple sets of ACS data.

## 1. Household Composition and Size

According to the 2010 Census, there were 125,946 households in Monterey County. The Urban County had approximately 37,062 households, approximately 73 percent of which were family-households.

<b>Table 5: Household Growth by Subarea (2000-2010)</b>			
<b>Area</b>	<b>2000</b>	<b>2010</b>	<b>Percent Change</b>
<b>Unincorporated Monterey County</b>			
Aromas	432	446	3.2%
Boronda	309	394	27.5%
Bradley	40	37	-7.5%
Carmel Valley Village	1,963	1,895	-3.5%
Castroville	1,434	1,470	2.5%
Chualar	279	245	-12.2%
Del Monte Forest	2,092	1,925	-8.0%
Elkhorn	523	532	1.7%
Las Lomas	584	598	2.4%
Lockwood	--	163	--
Moss Landing	125	100	-20.0%
Pajaro	634	621	-2.1%
Pine Canyon	--	554	--
Prunedale	5,440	5,703	4.8%
San Ardo	157	140	-10.8%
San Lucas	90	67	-25.6%
Spreckels	171	229	33.9%
Balance of Unincorporated Monterey County	19,556	19,336	-1.1%
<b>Total Unincorporated County</b>	<b>33,829</b>	<b>34,455</b>	<b>1.9%</b>
<b>Cities</b>			
Del Rey Oaks	704	701	-0.4%
Gonzales	1,695	1,906	12.4%
<b>Total</b>			
Urban County	36,228	37,062	2.3%
Monterey County	121,236	125,946	3.9%

Source: Bureau of the Census, 2000-2010.

Different household types generally have different housing needs. Seniors or young adults typically comprise a majority of single-person households and tend to reside in apartment units, condominiums or smaller single-family homes. Families, meanwhile, often prefer single-family homes. Household size can be an indicator of changes in population or use of housing. An increase in household size can indicate a greater number of large families or a trend toward overcrowded housing units. A decrease in household size, on the other hand, may reflect a greater number of elderly or single-person households or a decrease in family size. Household composition and size are often two interrelated factors. Communities that have a large proportion of families with children tend to have a larger average household size. Such communities have a greater need for larger units with adequate open space and recreational opportunities for children.

According to the 2010 Census, a majority (73 percent) of the households in the Urban County were family households (Table 6). Many of these family households include children. These characteristics were similar to Monterey County as a whole but different than Del Rey Oaks and Gonzales; the proportion of family households in Del Rey Oaks is lower (63 percent) and higher in Gonzales (89 percent).

<b>Table 6: Household Type and Size (2010)</b>						
<b>Area</b>	<b>Average Household Size</b>	<b>Percent of Households with Elderly</b>	<b>Percent Families</b>	<b>Average Family Size</b>	<b>Percent of Families with Children</b>	<b>Percent of Female-Headed Households w/ Children</b>
<b>Unincorporated Monterey County</b>						
Aromas	3.04	21.3%	79.8%	3.41	35.2%	4.9%
Boronda	4.34	21.6%	86.3%	4.52	50.0%	11.2%
Bradley	2.51	21.6%	73.0%	2.85	29.7%	5.4%
Carmel Valley Village	2.32	35.9%	64.5%	2.77	21.8%	3.5%
Castroville	4.4	20.1%	88.4%	4.44	52.7%	10.1%
Chualar	4.86	20.0%	94.3%	4.79	61.6%	11.4%
Del Monte Forest	2.17	56.2%	70.2%	2.53	14.5%	1.4%
Elkhorn	2.94	25.2%	77.8%	3.21	30.6%	3.9%
Las Lomas	5.06	24.1%	88.8%	5.13	51.7%	3.7%
Lockwood	2.33	22.1%	55.8%	3.16	24.5%	6.1%
Moss Landing	2.04	23.0%	51.0%	2.76	19.0%	4.0%
Pajaro	4.8	15.8%	88.9%	4.82	61.2%	7.6%
Pine Canyon	3.28	24.0%	83.6%	3.58	40.4%	6.9%
Prunedale	3.08	26.4%	77.9%	3.45	31.6%	4.2%
San Ardo	3.69	22.9%	79.3%	4.13	46.4%	7.1%
San Lucas	4.01	14.9%	85.1%	4.23	52.2%	4.5%
Spreckels	2.94	25.8%	75.5%	3.38	34.5%	5.7%
Balance of Unincorporated Monterey County	N/A	37.0%	67.6%	N/A	25.7%	3.6%
Total Unincorporated Monterey County	N/A	33.7%	72.1%	N/A	29.1%	4.1%
<b>Cities</b>						
Del Rey Oaks	2.32	32.8%	63.2%	2.86	21.1%	2.4%
Gonzales	4.29	18.6%	89.4%	4.45	56.4%	9.6%
<b>Total</b>						
Urban County	N/A	32.9%	72.9%	N/A	35.5%	4.4%
Monterey County	3.15	25.6%	71.8%	3.66	36.5%	7.0%

Source: Bureau of the Census, 2010.

Families with children often face housing discrimination by landlords who fear that children will cause property damage, or the landlords have cultural biases against children of opposite sex sharing a bedroom. Certain neighborhoods within the Urban County had a higher than average proportion of family households with children and are, therefore, more vulnerable to this type of discrimination. The proportion of families with dependent children was highest in the City of Gonzales and the CDPs of Chualar, Pajaro, San Lucas and Las Lomas (Table 6).



The 2010 Census also documented household size by the race/ethnicity of the householder. In 2010, household size in Monterey County varied from 2.23 for White households to 4.38 persons per household for Hispanic households. As Gonzales has a high concentration of Hispanic households, it is likely that Hispanic households in the City are disproportionately impacted by overcrowding, given the larger average households size.

## C. Special Needs Population

Certain households, because of their special characteristics and needs, may require special accommodations and may have difficulty finding housing due to special needs. Special needs groups include seniors, persons with disabilities, persons with HIV/AIDS, families with children, single-parent households, large households, homeless persons and persons at-risk of homelessness, and farm workers.

### 1. Seniors

Seniors (persons age 65 and above) are gradually becoming a more substantial segment of a community's population. Americans are living longer and having fuller lives than ever before in our history and are expected to continue to do so. The average life expectancy of a person born in 2000 is 90 years. Elderly households are vulnerable to housing problems and housing discrimination due to limited income, prevalence of physical or mental disabilities, limited mobility, and high health care costs. The elderly, particularly those with disabilities, may face increased difficulty in finding housing accommodations and may become victims of housing discrimination or fraud.

According to 2010 Census data, an estimated 33 percent of households in the Urban County had at least one individual who was 65 years of age or older (Table 6). Countywide, about 26 percent of households had at least one senior member. Certain communities in the Urban County had a higher than average proportion of households with seniors, including Del Monte Forest (56 percent) and Carmel Valley Village (36 percent).

According to the 2010 Census, 19 percent of all residents in Del Rey Oaks were ages 65 and over, while in Gonzales residents of the same age group represented only six percent of the total population (Table 3). The proportion of senior residents in the Urban County (15 percent) was higher than that of the County as a whole (11 percent). According to CHAS data, 33 percent of all households in the Urban County included an elderly person, higher in comparison to the County overall (26 percent) and Gonzales (19 percent), but slightly less than that in Del Rey Oaks (33 percent). Almost 83 percent of elderly households in the Urban County had lower and moderate incomes (Table 7). Approximately 39 percent of all elderly households in the Urban County experienced housing problems such as cost burden or substandard housing. Housing problems (Table 16) were significantly more prevalent for elderly renter-households than elderly owner-households in the Urban County (54 percent compared to 36 percent).

**Table 7: Senior Profile (2005-2011)**

Area	% of Population	With a Disability	% of Senior Households with Low/Moderate Income	% of Senior Households with Housing Problems
Del Rey Oaks	19.0%	n.a.	83.7%	20.7%
Gonzales	6.0%	n.a.	66.7%	53.8%
Urban County	15.0%	n.a.	82.7%	38.5%
Monterey County	10.7%	31.8%	87.0%	37.1%

Note: The American Community Survey (ACS) provides data on different variables for communities of different sizes at different frequency schedules. At the writing of this report, no ACS data on disability are available for Gonzales and Del Rey Oaks, or for most communities in the unincorporated areas.

Sources:

1. Bureau of the Census, 2010.
2. American Community Survey, 2009-2011.
3. HUD Comprehensive Housing Affordability Strategy (CHAS), based on 2005-2009 ACS.

## Resources

The Monterey County Area Agency on Aging and the Older Americans Advisory Council (AAA) recently released a draft of the 2012 – 2016 Area Plan. The Plan identifies two overarching goals: system planning and advocacy.<sup>3</sup> The AAA will also support services that promote healthy aging.

The role of the AAA in Monterey County has shifted since the passage of the last Area Plan. From its inception in the early 1980s until 2010, the Monterey County AAA had served as the focal point for the delivery of case management services. In 2010, the AAA informed the State that it would be unable to continue serving as home of the Multipurpose Senior Services Program (MSSP). Currently, the AAA functions primarily as a planning, advocacy, and grant making entity. The AAA’s role in direct service provision is limited to the Information & Assistance (I&A) Program in partnership with the County Department of Social and Employment Services. Funding constraints and costs of doing business impacted the AAA’s capacity to continue as a provider of case management services. With a focus upon system planning, advocacy, and grant making, the AAA uses its resources and expertise to strengthen the capacity of community based service providers in fulfilling the public’s increased requests for services. As an administrative entity, the AAA is positioned to track service trends and policy developments; lead efforts in community services planning; and assist with fund development activities.

According to the Area Plan, the pace at which the older adult population is increasing is outpacing funding and system development. The senior population in Monterey County will also gradually shift from a majority white population in 2010 (63 percent) to a shared majority population with Latinos in 2030 (43 percent Whites and 43 percent Hispanic). In preparing for a majority Latino older adult population by 2050 (61 percent), service providers will increasingly depend upon supports and resources to recruit and train a diverse, culturally competent workforce. Diversity in Monterey County extends beyond race and ethnicity to include gender, disability, and sexual orientation. Outreach to the senior Lesbian, Gay, Bisexual and Transgender (LGBT) community is a particular challenge because the area does not have a visible or active LGBT community as in neighboring Santa Cruz and other Bay Area counties. The AAA is committed to serving LGBT

<sup>3</sup> Monterey County Area Agency on Aging. 2012 – 2016 Area Plan.



seniors and is pursuing outreach into the community and assisting service providers broaden their cultural proficiency in service to the LGBT community.

The AAA identifies the following as issues of great importance for the region's seniors: Income Security, Long-Term Services and Supports; Financial Abuse; and, Older Adult Mental Health Services. Overwhelmingly, older adults identify services that meet their basic needs for food, housing, transportation, and access to health care as priorities. The Area Plan also found that 46 percent of seniors surveyed do not know who to ask when seeking information about services. Accessing information and services is improved in communities with vibrant senior centers. Senior Centers are multiservice organizations that provide seniors with a spectrum of services and activities. Centers provide seniors with opportunities to remain active members of their communities. Centers also provide the aging services network with one stop locations to enhance coordination between organizations. For this reason, the AAA identifies the expansion and modernization of senior centers as a service priority.

The housing needs of the elderly include supportive housing, such as intermediate care facilities, group homes, and other housing that may include a planned service component. Needed services related to elderly households include: personal care, health care, housekeeping, meal preparation, personal emergency response, and transportation.

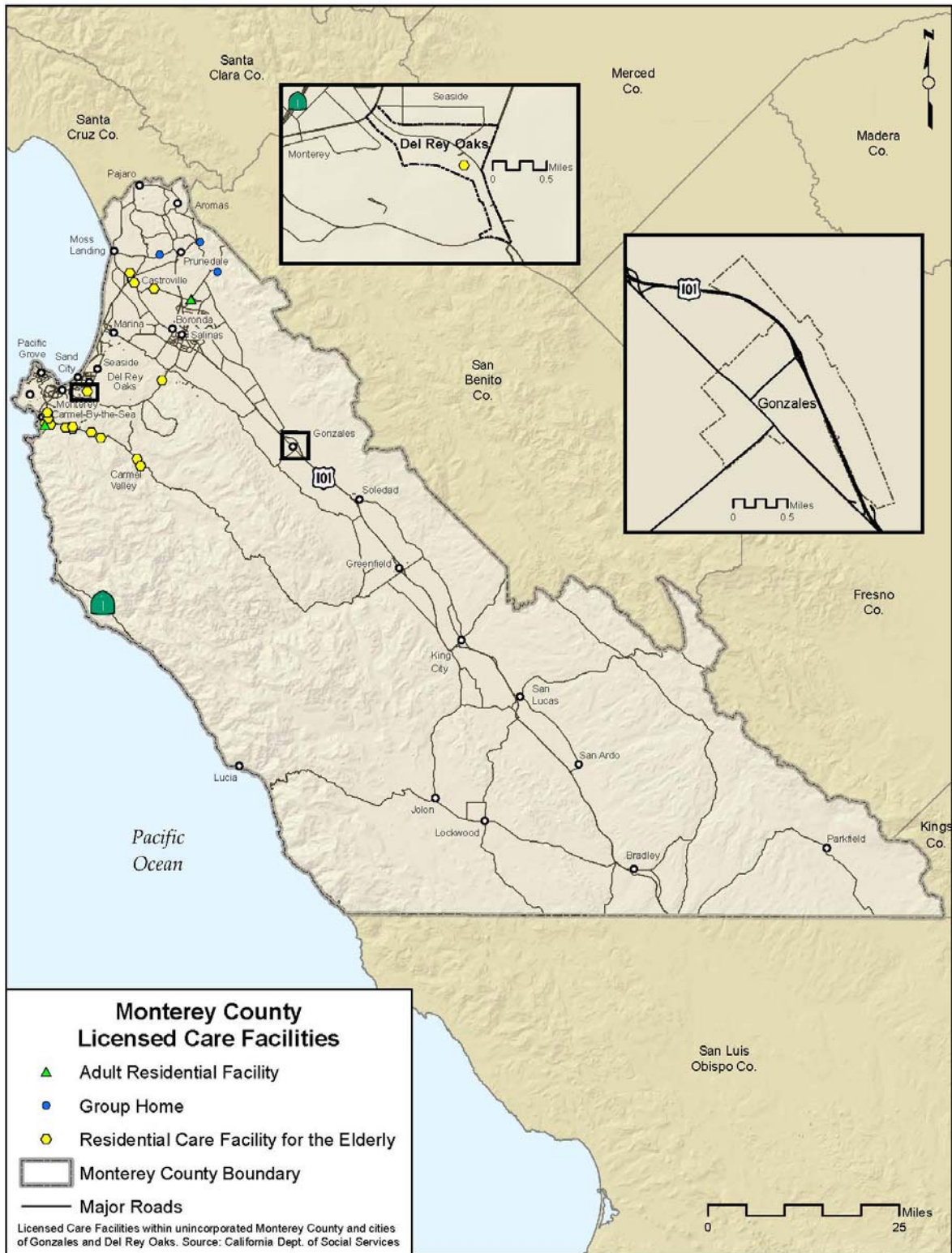
The Alliance on Aging administers a Senior Homeshare Program, which matches seniors with other households in affordable housing situations. Furthermore, according to the California Department of Social Services, Community Care Licensing Division, there are 64 residential care facilities for the elderly and ten adult day care centers located in all of Monterey County. Adult day care facilities in the County have the capacity to serve 532 elderly persons, while residential care facilities have the capacity to serve 1,773 persons.

For a complete listing of additional residential opportunities for seniors in Monterey County, the AAA has published a comprehensive 2012 Resource Guide. This resource guide, available in English and Spanish, can be found online at:

<http://www.co.monterey.ca.us/aaa/>

While Monterey County overall is well served by licensed care facilities, options within the Urban County are much more limited. Figure 2 illustrates the location of the various licensed care facilities in the Urban County. Most of the community care facilities within the Urban County are located in the north and in unincorporated County neighborhoods near the City of Carmel. However, there is a noticeable absence of facilities in the central and southern portions of the Urban County. Residents living in the CDPs of Bradley, San Ardo and San Lucas are especially underserved and would have to travel a great distance to access the region's inventory of care facilities.

**Figure 2: Licensed Care Facilities in Monterey County**



## 2. Persons with Disabilities

The Americans with Disabilities Act (ADA) defines a disability as a “physical or mental impairment that substantially limits one or more major life activities.” Fair housing choice for persons with disabilities can be compromised based on the nature of their disability. Persons with physical disabilities may face discrimination in the housing market because of the use of wheelchairs, need for home modifications to improve accessibility, or other forms of assistance. Landlords/owners sometimes fear that a unit may sustain wheelchair damage or may refuse to exempt disabled tenants with service/guide animals from a no-pet policy. A major barrier to housing for people with mental disabilities is opposition based on the stigma of mental disability. Landlords often refuse to rent to tenants with a history of mental illness. Neighbors may object when a house becomes a group home for persons with mental disabilities. While housing discrimination is not covered by the ADA, the Fair Housing Act prohibits housing discrimination against persons with disabilities, including persons with HIV/AIDS.

The Census and American Community Survey (ACS) do not document disability characteristics for all places within the Urban County; therefore, estimates for Monterey County as a whole will be analyzed in place of this more detailed data. According to the 2009-2011 ACS, eight percent of the Monterey County population has one or more disabilities (Table 8). Special housing needs for persons with disabilities fall into two general categories: physical design to address mobility impairments and in-home social, educational, and medical support to address developmental and mental impairments. Among persons living with disabilities within the County, ambulatory disabilities were most prevalent (54 percent), followed by independent living disabilities (38 percent), and cognitive disabilities (36 percent).

<b>Table 8: Persons with Disabilities Profile (2009-2011)</b>							
<b>Area</b>	<b>% of Population</b>	<b>Hearing Disability</b>	<b>Vision Disability</b>	<b>Cognitive Disability</b>	<b>Ambulatory Disability</b>	<b>Self-Care Disability</b>	<b>Independent Living Disability</b>
Monterey County	8.0%	31.3%	17.7%	36.1%	53.7%	22.7%	37.6%

Source: American Community Survey, 2009-2011.

According to the California Department of Social Services, Community Care Licensing Division, there are three adult residential facilities, 19 residential care facilities for the elderly, and three group homes located in the Urban County. The adult residential facilities have the capacity to serve 17 persons, the residential care facilities for the elderly have the capacity to serve 443 persons, and the group homes have the capacity to serve 20 persons.

### Persons with Developmental Disabilities

As defined by federal law, “developmental disability” means a severe, chronic disability of an individual that:

- Is attributable to a mental or physical impairment or combination of mental and physical impairments;
- Is manifested before the individual attains age 22;
- Is likely to continue indefinitely;

- Results in substantial functional limitations in three or more of the following areas of major life activity: a) self-care; b) receptive and expressive language; c) learning; d) mobility; e) self-direction; f) capacity for independent living; or g) economic self-sufficiency;
- Reflects the individual's need for a combination and sequence of special, interdisciplinary, or generic services, individualized supports, or other forms of assistance that are of lifelong or extended duration and are individually planned and coordinated.

The Census does not record developmental disabilities. According to the U.S. Administration on Developmental Disabilities, an accepted estimate of the percentage of the population that can be defined as developmentally disabled is 1.5 percent. This equates to 6,226 persons in the County of Monterey and 1,650 persons in the Urban County with developmental disabilities, based on the 2010 Census population.

According to the State's Department of Developmental Services, as of March 2013, approximately 723 Urban County residents with developmental disabilities were being assisted at the San Andreas Regional Center. Most of these individuals were residing in a private home with their parent or guardian and 269 of these persons with developmental disabilities were under the age of 18.

From a housing perspective, there are several different housing needs of disabled persons. For those disabled with a developmental or mental disability, one of the most significant problems is securing affordable housing that meets their specialized needs. Housing needs can range from institutional care facilities to facilities that support partial or full independence (such as group care homes). Supportive services such as daily living skills and employment assistance need to be integrated into the housing situation also. The disabled person with a mobility limitation requires housing that is physically accessible. Examples of accessibility in housing include widened doorways and hallways, ramps leading to doorways, modifications to bathrooms and kitchens (lowered countertops, grab bars, adjustable shower heads, etc.) and special sensory devices (smoke alarms, flashing lights, etc.).

### Resources

The Housing Alliance for People with Disabilities, a coalition of service providers serving Monterey County that came together to develop a better understanding of the housing needs of persons with disabilities, publishes a Universal Design Best Practices Guide. The Guide outlines specific design specifications and modifications that make homes and associated living environments more useable by more people including children, aging populations and persons with disabilities. This guide, along with a complete list of affordable housing opportunities in the County for persons with disabilities, can be found online at:

<http://www.hapd-ca.org/resources.html#content>

The following resources are also available for disabled individuals and households in Monterey County:

- Central Coast Center for Independent Living (CCCIL) – One of a nationwide network of Centers for Independent Living whose philosophy is that people with disabilities have the right to control their lives and make their own choices. CCCIL provides independent living

information and referral, advocacy, housing assistance, personal assistance service, peer support, independent living and skills training, community and systems advocacy and assistive technology. Additionally, CCCIL runs the New Options Traumatic Brain Injury Program, one of seven demonstration project sites in California.

- Interim, Inc. – Operates a range of housing facilities for persons with disabilities, including for persons with physical and mental health disabilities.
- Housing Authority of Monterey County – 1,899 Housing Choice Vouchers for disabled individuals and families as of January 2013.
- Gateway Center – Provides group homes and facilities to promote independent living for developmentally disabled individuals.

The location of housing and availability of transportation is also important because disabled people may require access to a variety of social and specialized services. Amendments to the Fair Housing Act, as well as state law, require ground-floor units of new multi-family construction with more than four units to be accessible to persons with disabilities. However, units built prior to 1989 are not required to be accessible to persons with disabilities. Older units, particularly in older multi-family structures, are very expensive to retrofit for disabled occupants because space is rarely available for elevator shafts, ramps, or widened doorways, etc. The site, parking areas, and walkways may also need modifications to install ramps and widen walkways and gates.

### 3. Persons with HIV/AIDS

Persons with HIV/AIDS face an array of barriers to obtaining and maintaining affordable, stable housing. For persons living with HIV/AIDS, access to safe, affordable housing is as important to their general health and well-being as access to quality health care. For many, the persistent shortage of stable housing can be the primary barrier to consistent medical care and treatment. In addition, persons with HIV/AIDS may also be targets of hate crimes, which are discussed later in this document. Despite federal and state anti-discrimination laws, many people face illegal eviction from their homes when their illness is exposed. Stigmatism associated with their illness and possible sexual orientation can add to the difficulty of obtaining and maintaining housing. The **Fair Housing Amendments Act of 1988**, which is primarily enforced by HUD, prohibits housing discrimination against persons with disabilities, including persons with HIV/AIDS.

Persons with HIV/AIDS require a broad range of services, including counseling, medical care, in-home care, transportation, and food, in addition to stable housing. Today, persons with HIV/AIDS live longer and require longer provision of services and housing. Stable housing promotes improved health, sobriety, decreased drug abuse, and a return to paid employment and productive social activities resulting in an improved quality of life. Furthermore, stable housing is shown to be cost-effective for the community in that it helps to decrease risk factors that can lead to HIV and AIDS transmission.

According to the Monterey County Health Department Public Health Bureau, Communicable Disease Unit, approximately 142 persons with HIV and 440 persons with AIDS resided in and/or received services in Monterey County (as of October 26, 2011). National studies have shown that at least 25 percent of people afflicted with severe (i.e. disabling) AIDS will be in need of supportive housing at some time during their illness.



As indicated in Table 9, the majority of People Living with HIV/AIDS (PLWH/A) within Monterey County reside in the geographic regions of Monterey Peninsula/Big Sur (265 PLWH/A) and the Salinas Urban Area (215 PLWH/A). Over 82 percent of reported HIV and AIDS cases in Monterey County affected men.<sup>4</sup> Of the total HIV/AIDS population in the County, 28 percent were White, 13 percent were Black, 52 percent were Hispanic (all races), and the remaining two percent were Asian/Pacific Islander, American Indian/Alaskan Native, or Other/Multi-Race.

<b>Table 9: Monterey County HIV/AIDS Statistics through 2011</b>		
	<b>Monterey County</b>	<b>Percentage</b>
<b>Geographic Region HIV/AIDS</b>		
Monterey Peninsula/Big Sur	265	46%
North County	27	5%
Salinas Urban Area	215	37%
South County	75	13%
<b>Total Persons living HIV/AIDS<sup>1</sup></b>	<b>582</b>	<b>100%</b>
<b>Gender HIV/AIDS<sup>2</sup></b>		
Male	151	82%
Female	33	18%
<b>Race/Ethnicity HIV/AIDS<sup>3</sup></b>		
Hispanic/Latino	96	52%
African American/Black	24	13%
White	52	28%
Asian/Pacific Islander	9	5%
American Indian/Alaskan Native	1	1%
Other/Multi-Race	2	1%

Note 1: Estimate represents PLWH/A residing in and/or receiving services in Monterey County.

Notes 2 and 3: Gender and Race/Ethnicity estimates are based on a limited sample size and do not reflect the total Monterey County HIV/AIDS Population.

Sources:

1. Monterey County Health Department Communicable Disease Unit, data are current as of March 10, 2011.
2. State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000-2050, Sacramento, CA, July 2007.

## Resources

Many resources are available to Urban County residents living with HIV/AIDS. The HIV Care Program (HCP) as well as all other Monterey County HIV-related service programs are incorporated to provide a high quality of service throughout the HIV continuum. Such integrated programs include HCP/Ryan White Part B, Ryan White Part C, HIV surveillance, ADAP, HOPWA, CARE/HIPP and education and prevention. Current HIV-related services provided in Monterey County include the following:

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<sup>4</sup> Gender and Race/Ethnicity estimates are based on a limited sample size and do not reflect the total Monterey County HIV/AIDS population.

- Outpatient/Ambulatory Medical Care
- Oral Health Care
- Mental Health Care
- Emergency Financial Assistance
- ADAP
- Early Intervention Services (Part C)
- MAI Outreach, Retention and Treatment Education
- Therapeutic Monitoring (limited through Part C)
- Syringe Exchange
- HIV Counseling and (rapid) Testing
- HCV Testing
- Health Education and Risk Reduction
- Emotional Support
- Housing and Housing Assistance
- Case Management (limited)
- Referrals to Specialty Care and/or Other Supportive Services
- Outreach
- Staff Training
- Quality Management and Program Evaluation

Future HIV-related services provided in Monterey County will include the following:

- Via Care/LIHP
- Partner Counseling and Referral Services (PCRS)
- Prevention With Positives (PWP-enhanced)
- HIV Counseling, Testing and Education (enhanced with projected OA Prevention funding)
- Pharmacy Access of Sterile Syringes/Disease Prevention Demonstration Project (DPDP)
- Program Assessment and Evaluation (enhanced)

Once a new HIV infection is identified, it is reported to the Health Department Communicable Disease Unit, forwarded to the California Department of Public Health Office of AIDS and then referred to a Ryan White Part B-funded medical provider. When a new HIV infection is identified through a community-based service provider setting, individuals are immediately referred to a Ryan White Part B-funded medical provider and offered assistance to ensure that the referral is successful.

Each of these organizations offer HIV testing and have established strong linkages to care, information and additional community resources. Key points of entry into the Monterey County HIV medical system include, but are not limited to, the following:

- NIDO and OPIS Clinics
- Monterey County Health Department Clinic Services Division
- Planned Parenthood
- Clínica de Salud del Valle de Salinas
- Monterey County Hospital Emergency Departments
- Central Coast HIV/AIDS Services (CCHAS)

In addition to the services discussed above, the Monterey County HIV Planning Group provides a comprehensive resource guide for persons living with HIV/AIDS that can be found at:

#### 4. Families with Children

Families with children often face housing discrimination by landlords who fear that children will cause property damage. Some landlords may also have cultural biases against children of opposite sex sharing a bedroom. Differential treatments such as limiting the number of children in a complex or confining children to a specific location are also fair housing concerns. The proportion of families with dependent children was highest in the CDPs of Chualar, Pajaro, Castroville, San Lucas and Las Lomas (see Table 10). These communities may be more vulnerable to familial discrimination in the housing market because of their higher than average proportion of families with children. The CDPs of Boronda, Lockwood, and Moss Landing have the highest proportions of female-headed families with children.

##### Resources

Families with children in the Urban County can benefit from general programs and services for lower and moderate income persons, including the Housing Choice Voucher, Down Payment, and Housing Rehabilitation programs, and various community and social services provided by non-profit organizations in the region.



**Table 10: Families with Children (2010)**

Jurisdiction	Total Households	All Families with Children		Female Headed Households with Children	
		Number	% of Total Households	Number	% of all Families with Children
<b>Unincorporated Monterey County</b>					
Aromas	446	118	25.3%	22	13.4%
Boronda	394	197	50.0%	83	42.1%
Bradley	37	11	29.7%	2	18.2%
Carmel Valley Village	1,895	414	21.8%	66	15.9%
Castroville	1,470	775	52.7%	149	19.2%
Chualar	245	151	61.6%	28	18.5%
Del Monte Forest	1,925	280	14.5%	27	9.6%
Elkhorn	532	163	30.6%	21	12.9%
Las Lomas	598	309	51.7%	22	7.1%
Lockwood	163	40	24.5%	10	25.0%
Moss Landing	100	19	19.0%	4	21.1%
Pajaro	621	380	61.2%	47	12.4%
Pine Canyon	554	224	40.4%	38	17.0%
Prunedale	5,703	1,801	31.6%	238	13.2%
San Ardo	140	65	46.4%	10	15.4%
San Lucas	67	35	52.2%	3	8.6%
Spreckels	229	79	34.5%	13	16.5%
Balance of Unincorporated Monterey County	19,336	4,965	25.7%	688	13.9%
<b>Total Unincorporated County</b>	<b>34,455</b>	<b>10,026</b>	<b>29.1%</b>	<b>1,426</b>	<b>14.2%</b>
<b>Cities</b>					
Del Rey Oaks	701	148	21.1%	17	11.5%
Gonzales	1,906	1,075	56.4%	183	17.0%
<b>Total</b>					
Urban County	37,062	13,150	35.5%	1,626	12.3%
Monterey County	125,946	45,912	36.5%	8,786	19.1%

Source: Bureau of the Census, 2010.

## 5. Single Parent Households

In 2010, Del Rey Oaks had approximately 23 single-parent households while Gonzales had 263 single-parent households. Of the single-parent households in Del Rey Oaks, 74 percent were headed by women (approximately 12 percent of all family households with children in the City) and 26 percent were headed by males. In Gonzales, 70 percent of single-parent households were headed by women (approximately 17 percent of all family households with children in the City), and 30 percent were headed by males. Within the unincorporated areas of the County, female headed households with children represented approximately 14 percent of all families with children.

Female single-parent family households are disproportionately affected by poverty. According to the 2007-2011 ACS, about nine percent of female single-parent family households in Del Rey Oaks lived below the poverty level (compared to less than one percent of all family households in the City). In Gonzales, 44 percent of female single-parent family households lived below the poverty level (compared to only 14 percent of all family households in the City.) In Monterey County as a whole,

about 25 percent of female single-parent family households lived in poverty; by comparison, 11 percent of all family households in the County lived below the poverty level.

## Resources

Affordable housing is one of the more significant needs of family households with children and single-parent households. The Housing Authority of Monterey County operates the Pueblo Del Mar development. Pueblo Del Mar includes 56 houses on a 2.5-acre site at the former Fort Ord in the City of Marina. The property was obtained from the Army through the McKinney Act and is part of the reuse of Fort Ord for the use of the community. Pueblo Del Mar provides a safe, affordable, transitional housing program for homeless women with children, men with children, and families with children. This program also offers residents a supportive living environment.

Limited household income constrains the ability of these households to afford adequate housing and childcare, health care, and other necessities. Finding adequate and affordable childcare is also pressing issue for many families with children and single-parent households in particular. A number of services that benefit these households are available in the Urban County. The After School Education and Safety (ASES) Program is the result of the 2002 voter-approved initiative, Proposition 49. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and local community resources to provide literacy, academic enrichment and safe constructive alternatives for students in kindergarten through ninth grade (K-9).

The Monterey County Office of Education also serves as the Regional Lead Office for Region 5 After School Partnerships, the liaison between the California Department of Education (CDE) and local before and after school and summer programs funded through state After School Education and Safety (ASES) and federal 21st Century Community Learning Centers (CCLC) grants. The Region V After School Partnerships program provides free technical assistance and support services to After School Education and Safety (ASES) and 21st Century Community Learning Center (21st CCLC) programs in Monterey, Santa Cruz, San Benito and Santa Clara counties.

## 6. Large Households

Large households are defined as those with five or more members. These households are usually families with two or more children or families with extended family members such as in-laws or grandparents. It can also include multiple families living in one housing unit in order to save on housing costs. Large households often face discrimination in the housing market, particularly for rental housing. Property owners and managers may be concerned with the potential increase in wear and tear and liability issues related to large households, especially those with children.

As indicated in Table 11, in 2010, approximately 42 percent of all households in Gonzales had five or more members; specifically 37 percent of owner-households and 47 percent of renter-households in the City were considered to be large households. The proportion of large households in Del Rey Oaks was significantly less (six percent overall). About six percent of owner-households and seven percent of renter-households in Del Rey Oaks were considered large. Within the unincorporated areas of the County, large households represented 16 percent of all households. Overall, 21 percent of households in the County as a whole consisted of large households. The proportion of large households was highest in the CDPs of Chualar (53 percent), Las Lomas (52 percent), and Pajaro

(50 percent), indicating these CDPs may be the most vulnerable to housing discrimination based on family size.

## Resources

Large households in the Urban County can benefit from general programs and services for lower and moderate income persons, including the Housing Choice Voucher, Down Payment, and Housing Rehabilitation programs, and various community and social services provided by non-profit organizations in the region.

<b>Table 11: Large Households (2010)</b>						
City/Area	Total Large Households		Large Owner Households		Large Renter Households	
	#	% of Total Households	#	% of Owner Households	#	% of Renter Households
<b>Unincorporated Monterey County</b>						
Aromas	75	16.1%	61	16.8%	14	16.9%
Boronda	163	41.4%	74	40.4%	89	42.2%
Bradley	1	2.7%	0	0.0%	1	4.8%
Carmel Valley Village	126	6.6%	91	6.9%	35	6.2%
Castroville	641	43.6%	249	41.4%	392	45.1%
Chualar	129	52.7%	59	52.7%	70	52.6%
Del Monte Forest	78	4.1%	53	3.3%	25	7.7%
Elkhorn	82	15.4%	51	13.4%	31	20.4%
Las Lomas	311	52.0%	194	52.7%	117	50.9%
Lockwood	17	10.4%	8	8.2%	9	13.6%
Moss Landing	5	5.0%	2	3.6%	3	6.7%
Pajaro	313	50.4%	59	41.8%	254	52.9%
Pine Canyon	122	22.0%	86	19.2%	36	34.3%
Prunedale	1076	18.9%	758	17.4%	318	23.5%
San Ardo	46	32.9%	8	17.0%	38	40.9%
San Lucas	22	32.8%	10	27.8%	12	38.7%
Spreckels	35	15.3%	22	13.8%	13	18.8%
Balance of Unincorporated Monterey County	2,228	11.5%	1,175	9.2%	1,067	16.4%
<b>Total Unincorporated County</b>	<b>5,471</b>	<b>15.9%</b>	<b>2,960</b>	<b>12.8%</b>	<b>2,511</b>	<b>22.1%</b>
<b>Cities</b>						
Del Rey Oaks	42	6.0%	30	5.8%	12	6.5%
Gonzales	794	41.7%	381	37.4%	413	46.6%
<b>Total</b>						
Urban County	6,307	17.0%	3,371	13.7%	2,936	23.7%
Monterey County	26,956	21.4%	11832	18.5%	15124	24.4%

Source: Bureau of the Census, 2010.

## 7. Homeless Persons

According to HUD, a person is considered homeless if they are not imprisoned and: (1) lack a fixed, regular, and adequate nighttime residence; (2) their primary nighttime residence is a publicly or privately operated shelter designed for temporary living arrangements, an institution that provides a temporary residence for individuals that should otherwise be institutionalized; or (3) a public or private place not designed for or ordinarily used as a regular sleeping accommodation.

Homeless persons often have a very difficult time finding housing once they have moved from transitional housing or other assistance program. Housing affordability for those who were formerly homeless is challenging from an economics standpoint, but this demographic group may also encounter fair housing issues when landlords refuse to rent to formerly homeless persons. The perception may be that they are more economically (and sometimes mentally) unstable.

Within unincorporated Monterey County, the largest concentration of homeless persons is in Pajaro (Table 12). Based on 2011 estimates, a total 556 homeless were identified in the Urban County, representing approximately 22 percent of the identified homeless within the overall County. The majority of homeless documented in the Urban County were individuals (55 percent), while approximately 12 percent were identified as families.

**Table 12: Total Unsheltered and Sheltered Homeless Census Population by Jurisdiction and Family Status (2011)**

Jurisdiction	Individuals	Families	In Vehicles, Encampments or Parks	Total
<b>Unincorporated Monterey County</b>				
Boronda	0	0	0	0
Castroville	0	23	0	23
Del Monte Forest	0	0	0	0
Elkhorn	0	0	0	0
Las Lomas	0	25	0	25
Moss Landing	0	0	0	0
Pajaro	234	18	28	280
Prunedale	2	0	5	7
Unincorporated Monterey County	25	0	98	123
Total Unincorporated County	261	66	131	458
<b>Cities</b>				
Del Rey Oaks	9	0	16	25
Gonzales	35	0	38	73
<b>Total</b>				
Urban County	305	66	185	556
Monterey County	1,190	483	832	2,507

Note: The survey does not provide estimates for the following CDPs: Aromas, Bradley, Carmel Valley Village, Chualar, Lockwood, Pine Canyon, San Ardo, San Lucas, and Spreckels.

Source: Monterey and San Benito Counties Homeless Census and Survey Comprehensive Report, 2011.

### Resources

In 2011, the Counties of Monterey and San Benito completed the *Lead Me Home* plan, a 10-Year Plan to End Homelessness in Monterey and San Benito Counties. The Plan included

recommendations by a Working Group comprised of representatives from public and private agencies that met over a 10-month period. The Plan is founded on the idea of stabilizing existing tenancies to prevent homelessness, re-housing people before they enter shelter, and linking people to appropriate community supports so that they may find and keep stable housing as well as improve their economic position. The Plan establishes a “Housing First” approach to help people re-access housing as quickly as possible through four key strategies: create a comprehensive housing pipeline, focus housing development on target populations, identify new funding sources to support the creation of permanent housing, and improve system-level permanent housing outcomes. Goals set forth by the Plan aim to increase the permanent housing stock for homeless persons by 75 units after five years and 200 units after ten years and also to increase permanent supportive housing units by 500 in ten years.

## 8. Farm Workers

Agriculture contributes millions of dollars to the local economy and provides jobs to people throughout the Monterey Bay region. It is also obvious that agriculture provides a beautiful working landscape, rich history, and deep-rooted heritage that are unique treasures the people of this region enjoy. As traditionally defined, farm workers are persons whose primary incomes are earned through permanent or seasonal agricultural labor. Permanent farm workers tend to work in fields or processing plants. During harvest periods when workloads increase, the need to supplement the permanent labor force is satisfied with seasonal workers. Often these seasonal workers are migrant workers, defined by the inability to return to their primary residence at the end of the workday.

Wine cultivation is a key industry in Gonzales. Civilians 16 years and over employed in farming, forestry, and fishing occupations represent a significant portion of the workforce in the City of Gonzales (40 percent); by contrast, only one percent of the employed population in Del Rey Oaks were farm workers (Table 13). A total of 16,025 residents in the unincorporated County were employed as farm workers, representing approximately 34 percent of the employed population.

<b>Area</b>	<b># of Farm Workers</b>	<b>Percentage of Workforce</b>
Del Rey Oaks	11	1.3%
Gonzales	1,465	40.2%
Unincorporated Monterey County	16,025	33.5%

Source: American Community Survey, 2006-2010.

### Resources

Farm workers are an integral component of the County’s labor market. The County encourages and supports the provision of additional opportunities for migrant housing, especially in the Pajaro Valley area, and for permanent affordable housing in both the Pajaro and Salinas Valleys. The Housing Authority of Monterey County maintains a number of Migrant and Permanent Farm Labor housing units. A total of 215 housing units are available for this targeted population. The Migrant Center is located in King City and is open for six months each year. The permanent Farm Labor Complexes are located in Salinas, Chualar, and Castroville.

## D. Income Profile

Household income is the most important factor determining a household's ability to balance housing costs with other basic life necessities. A stable income is the means by which most individuals and families finance current consumption and make provision for the future through saving and investment. The level of cash income can be used as an indicator of the standard of living for most of the population.

Households with lower incomes are limited in their ability to balance housing costs with other needs and often the ability to find housing of adequate size. While economic factors that affect a household's housing choice are not a fair housing issue per se, the relationships among household income, household type, race/ethnicity, and other factors often create misconceptions and biases that raise fair housing concerns.

HUD has established the following income categories based on the Area Median Income (AMI) for the Metropolitan Statistical Area (MSA):

- Extremely Low Income (0-30 percent of AMI)
- Low Income (31-50 percent of AMI)
- Moderate Income (51-80 percent of AMI)
- Middle/Upper Income (above 80 percent of AMI)

Collectively, extremely low and low incomes are referred to as "lower" income.

### 1. Median Household Income

According to the 2006-2010 American Community Survey (ACS), Monterey County households had a median income of \$59,271. Table 14 displays median household income in Del Rey Oaks and Gonzales, as recorded by the 2000 Census and the 2006-2010 ACS. Overall, the median household income in Del Rey Oaks was higher than in Gonzales and the County as a whole. The median household income in Gonzales, meanwhile, continues to remain just below that of the County's. Both cities and the County experienced increases in median income between 2000 and 2010, with Del Rey Oaks' median income increasing the most dramatically (37 percent).

Jurisdiction	Median Household Income		% Change
	2000	2006-2010	
Del Rey Oaks	\$59,423	\$81,154	36.6%
Gonzales	\$41,582	\$53,463	28.6%
Monterey County	\$48,305	\$59,271	22.7%

Note: Median household income is a calculated field by the Census Bureau. No median household income data is available for the unincorporated County areas.

Sources:

1. Bureau of the Census, 2000.
2. American Community Survey (ACS), 2006-2010.

## 2. Income Distribution

HUD periodically receives "custom tabulations" of Census data from the U.S. Census Bureau that are largely not available through standard Census products. The most recent estimates are derived from the 2005-2009 ACS. These data, known as the "CHAS" data (Comprehensive Housing Affordability Strategy), demonstrate the extent of housing problems and housing needs, particularly for low income households. The CHAS cross-tabulates the Census data to reveal household income in a community in relation to the AMI. As defined by CHAS, housing problems include:

- Units with physical defects (lacking complete kitchen or bathroom);
- Overcrowded conditions (housing units with more than one person per room);
- Housing cost burden, including utilities, exceeding 30 percent of gross income; and
- Severe housing cost burden, including utilities, exceeding 50 percent of gross income.

According to the CHAS data in Table 15, approximately 17 percent of Urban County households were within the extremely low income (30 percent AMI) and low income (50 percent AMI) categories, 14 percent were within the moderate income (80 percent AMI) category, and at 70 percent, the majority was within the middle/upper income category (greater than 80 percent AMI). Proportions of households by income category were similar in the County as a whole. In Del Rey Oaks, a slightly larger proportion of households had middle/upper incomes (76 percent) in comparison to the Urban County proportion. The proportion of households with moderate incomes was highest in Gonzales (38 percent) and the proportion of middle/upper income households was the lowest (48 percent) among participating jurisdictions.

City/Area	Total Households	% Extremely Low Income	% Low Income	% Moderate Income	% Middle/Upper Income
Del Rey Oaks	724	4.6%	6.8%	12.8%	75.8%
Gonzales	2,095	5.7%	9.3%	37.5%	47.5%
Unincorporated Monterey County	34,495	7.9%	8.7%	12.1%	71.3%
Urban County	37,314	7.8%	8.7%	13.5%	70.0%

Note: Data presented in this table is based on special tabulations from sample Census data. The number of households in each category usually deviates slightly from the 100% count due to the need to extrapolate sample data out to total households. Interpretations of this data should focus on the proportion of households in need of assistance rather than on precise numbers. Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data, American Community Survey, 2005-2009 Estimates.

## 3. Household Income by Household Type

Household income often varies by household type. As shown in Table 16, small households had the highest proportion of extremely low income households, at 34 percent.

**Table 16: Housing Problems (2005-2009) – Urban County**

Household by Type, Income, and Housing Problem	Renters				Owners				Total Households
	Elderly	Small Families	Large Families	Total Renters	Elderly	Small Families	Large Family	Total Owners	
<b>Extremely Low Income (0-30% AMI)</b>	387	590	251	1,729	400	380	55	1,165	2,894
# With Housing Problems	182	545	241	1,364	310	230	40	795	2,159
% With Housing Problems	47%	92%	96%	79%	78%	61%	73%	68%	75%
<b>Low Income (31-50% AMI)</b>	200	805	425	1,665	840	315	150	1,571	3,236
# With Housing Problems	190	645	380	1,385	485	285	140	1,156	2,541
% With Housing Problems	95%	80%	89%	83%	58%	91%	93%	74%	79%
<b>Moderate Income (51-80% AMI)</b>	205	1,011	360	2,162	1,160	941	590	2,887	5,049
# With Housing Problems	100	511	280	1,172	590	750	550	2,006	3,178
% With Housing Problems	48%	51%	78%	54%	51%	80%	93%	70%	63%
<b>Middle/Upper Income (80%+ AMI)</b>	737	2,690	646	5,508	6,636	9,965	2,335	20,627	26,135
# With Housing Problems	346	626	366	1,509	1,861	3,591	1,280	7,482	8,991
% With Housing Problems	47%	23%	57%	27%	28%	36%	55%	36%	34%
<b>Total Households</b>	1,529	5,096	1,682	11,064	9,036	11,601	3,130	26,250	37,314
<b># With Housing Problems</b>	818	2,327	1,267	5,430	3,246	3,591	2,010	11,439	16,869
<b>% With Housing Problems</b>	54%	46%	75%	49%	36%	42%	64%	44%	45%

Note: Data presented in this table is based on special tabulations from sample Census data. The number of households in each category usually deviates slightly from the 100% count due to the need to extrapolate sample data out to total households. Interpretations of this data should focus on the proportion of households in need of assistance rather than on precise numbers.

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data, American Community Survey, 2005-2009 Estimates.



## 4. Income by Race/Ethnicity

Race/ethnicity is also a characteristic that often is related to housing need. This is because different race/ethnic groups may earn different incomes. Overall, middle/upper income households comprised approximately 70 percent of all households in the Urban County from 2005-2009 (Table 15). However, certain groups had higher proportions of lower and moderate income households. Specifically, Hispanic or Latino households had a considerably higher percentage of lower and moderate income households in comparison to the Urban County as a whole (52 percent versus 30 percent). Lower and moderate income Black or African American households also represented a proportion slightly higher than the Urban County proportion (39 percent versus 30 percent).

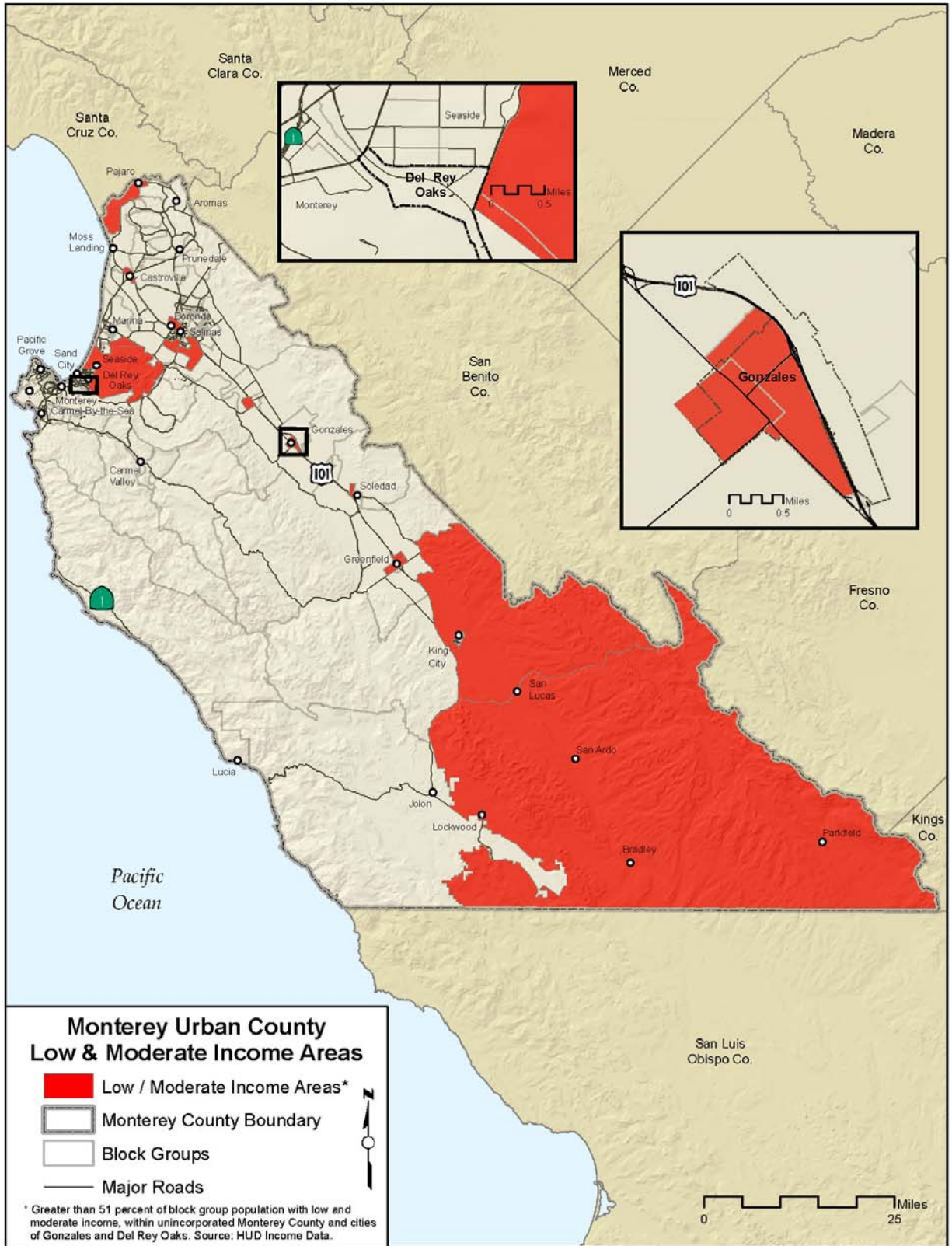
Income Level	Total HHs	Non-Hispanic White		Hispanic or Latino		Black or African American		Asian	
		HHs	Percent	HHs	Percent	HHs	Percent	HHs	Percent
Extremely Low	7.8%	1,782	7.1%	986	10.6%	1	0.2%	65	4.8%
Low	8.9%	1,501	6.0%	1,586	17.1%	62	13.0%	76	5.6%
Moderate	13.7%	2,459	9.8%	2,225	24.0%	121	25.4%	156	11.5%
Middle/Upper	69.6%	19,453	77.2%	4,477	48.3%	292	61.3%	1,062	78.1%
<b>Total Households</b>	<b>36,304</b>	<b>25,195</b>	<b>100.0%</b>	<b>9,274</b>	<b>100.0%</b>	<b>476</b>	<b>100.0%</b>	<b>1,359</b>	<b>100.0%</b>

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data, American Community Survey 2005-2009 Estimates.

## 5. Concentrations of Lower and Moderate Income Populations

HUD defines a “Low and Moderate Income Area” as a Census tract or block group where over 51 percent of the population is lower and moderate income. Figure 3 identifies the Low and Moderate Income Areas of the Urban County. As shown in the figure, Low and Moderate Income Areas are located generally in the North and southeastern portions of the County, which include the CDPs of Bradley, Lockwood, San Ardo, and San Lucas. Low and Moderate Income Areas in the north include the CDPs of Boronda, Castroville, and Pajaro. Many of these Low and Moderate Income Areas were also identified as minority concentration areas (in Figure 1 on page 15), an indication that certain parts of the Urban County have a disproportionate number of lower income minority residents.

**Figure 3: Low and Moderate Income Areas**



## E. Housing Profile

A discussion of fair housing choice must be preceded by an assessment of the housing market being analyzed. This section provides an overview of the characteristics of the local and regional housing markets. The Census Bureau defines a housing unit as a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or, if vacant, is intended for occupancy) as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and which have direct access from outside the building or through a common hall.

### 1. Housing Growth

According to the 2010 Census, the total number of housing units in the Urban County was 42,164 units, which represents an increase of 12 percent since 2000. Between 2000 and 2010, housing growth was the most significant in the CDPs of Spreckels (40 percent) and Boronda (24 percent). Of the CDPs in the unincorporated County, Prunedale, Del Monte Forest, and Carmel Valley Village were the largest, in terms of the number of housing units.

<b>Table 18: Housing Unit Growth by Subarea (2000-2010)</b>			
<b>Area</b>	<b>2000</b>	<b>2010</b>	<b>Percent Change</b>
<b>Unincorporated Monterey County</b>			
Aromas	441	466	5.7%
Boronda	332	413	24.4%
Bradley	42	40	-4.8%
Carmel Valley Village	2,105	2,156	2.4%
Castroville	1,462	1,593	9.0%
Chualar	266	251	-5.6%
Del Monte Forest	2,647	2,811	6.2%
Elkhorn	542	565	4.2%
Las Lomas	598	623	4.2%
Lockwood	--	197	--
Moss Landing	135	108	-20.0%
Pajaro	667	655	-1.8%
Pine Canyon	--	587	--
Prunedale	5,591	6,047	8.2%
San Ardo	167	158	-5.4%
San Lucas	97	76	-21.6%
Spreckels	176	246	39.8%
Balance of Unincorporated Monterey County	19,871	22,442	12.9%
Total Unincorporated County	35,139	39,434	12.2%
<b>Cities</b>			
Del Rey Oaks	727	741	1.9%
Gonzales	1,724	1,989	15.4%
<b>Total</b>			
Urban County	37,590	42,164	12.2%
Monterey County	131,708	139,048	5.6%

Source: Bureau of the Census, 2000-2010.

## 2. Housing Type

A region's housing stock is comprised of three categories: single-family dwelling units, multi-family dwelling units, and other types of units such as mobile homes. The housing stock in the unincorporated areas of Monterey County is comprised primarily of single-family housing. The agricultural/rural areas of the County typically have single-family homes on large parcels of land. More traditional "subdivision-type" homes built in recent decades can be found in communities like Prunedale. There are also other, older communities in the County that have historically significant housing, such as the original factory town of Spreckels.

<b>Table 19: Housing Unit Growth by Type (2000-2010)</b>				
<b>Unit Type</b>	<b>2000</b>		<b>2006-2010</b>	
	<b>Number of Units</b>	<b>Percent of Total</b>	<b>Number of Units</b>	<b>Percent of Total</b>
<b>Unincorporated Monterey County</b>				
Single-Family	31,065	83.7%	31,939	83.0%
Detached	28,372	76.4%	29,627	77.0%
Attached	2,693	7.3%	2,312	6.0%
Multi-Family	3,143	8.5%	3,855	10.0%
2-4 Units	1,453	3.9%	1,984	5.2%
5+ Units	1,735	4.7%	1,896	4.9%
Mobile Homes, Boat, RV, Van, etc.	2,864	7.7%	2,664	6.9%
Total	37,117	100.0%	38,483	100.0%
<b>Del Rey Oaks</b>				
Single-Family	592	81.4%	620	82.4%
Detached	567	78.0%	595	79.1%
Attached	25	3.4%	25	3.3%
Multi-Family	135	18.6%	132	17.6%
2-4 Units	23	3.2%	19	2.5%
5+ Units	109	15.0%	113	15.0%
Mobile Homes, Boat, RV, Van, etc.	3	0.4%	0	0.0%
Total	727	100.0%	752	100.00%
<b>Gonzales</b>				
Single-Family	1,356	78.0%	1,612	79.9%
Detached	1,227	70.6%	1,612	79.9%
Attached	129	7.4%	0	0.0%
Multi-Family	382	22.0%	405	20.1%
2-4 Units	170	9.8%	21	1.0%
5+ Units	170	9.8%	359	17.8%
Mobile Homes, Boat, RV, Van, etc.	42	2.4%	25	1.2%
Total	1,738	100.0%	2,017	100.00%

Sources:

1. Bureau of the Census, 2000.
2. American Community Survey (ACS), 2006-2010.

From 2006-2010, approximately 83 percent (31,939 units) of the housing stock within the unincorporated County consisted of single-family units, the majority of which (29,627 units) was single-family detached units (Table 19). Multi-family housing accounted for approximately 10 percent of the housing stock from 2006-2010, which was 45 percent higher than the area's share of

mobile homes (seven percent). The proportion of single-family units within both Del Rey Oaks and Gonzales was similar to that of the unincorporated County at 81 percent and 78 percent, respectively. However, the proportion of multi-family units in Gonzales (22 percent) and Del Rey Oaks (19 percent) was nearly double that of the unincorporated County.

### 3. Housing Condition

Assessing housing conditions in the Urban County can provide the basis for developing policies and programs to maintain and preserve the quality of the housing stock. Housing age can indicate general housing conditions within a community. Housing is subject to gradual deterioration over time. Deteriorating housing can depress neighboring property values, discourage reinvestment, and eventually impact the quality of life in a neighborhood.

State and federal housing programs typically consider the age of a community’s housing stock when estimating rehabilitation needs. In general, most homes begin to require major repairs or have significant rehabilitation needs at 30 or 40 years of age. In rental units, landlords may not complete needed maintenance or repairs requested by tenants as buildings begin to age. Furthermore, housing units constructed prior to 1979 are more likely to contain lead-based paint. The Urban County’s housing stock is older with a majority of the housing units in Del Rey Oaks (83 percent) and the unincorporated County (62 percent) built before 1979.

<b>Table 20: Age of Housing Stock (2006-2010)</b>			
	<b>Total Housing Units</b>	<b>% Built After 1979</b>	<b>% Built After 1969</b>
Del Rey Oaks	752	16.9%	23.1%
Gonzales	2,017	55.8%	66.2%
Unincorporated Monterey County	38,483	37.6%	59.4%

Note: Percent built prior to 1969 is inclusive of all built prior to 1979.  
Source: American Community Survey (ACS), 2006-2010.

#### Lead Based Paint Hazards

According to the federal Centers for Disease Control (CDC), approximately 250,000 children aged one to five years in the United States have elevated levels of lead in their blood. High blood lead levels are a concern because they may be harmful to a child’s developing organ systems such as the kidneys, brain, liver, and blood-forming tissues, potentially affecting a child’s ability to learn. Very high blood lead levels can cause devastating health consequences, including seizures, coma, and even death. Children are much more vulnerable to lead poisoning than adults because they put many kinds of items into their mouths. In addition, their bodies absorb up to 40 percent of the lead with which they come into contact, as opposed to only 10 percent absorbed by adults. Lead can enter the body through breathing or ingestion. Several factors contribute to higher incidence of lead poisoning:

- All children under the age of six years old are at higher risk.
- Children living at or below the poverty line are at a higher risk.
- Children in older housing are at higher risk.



- Children of some racial and ethnic groups and those living in older housing are at disproportionately higher risk.

Housing age is the key variable used to estimate the number of housing units with lead-based paint (LBP). Starting in 1978, the federal government prohibited the use of LBP on residential property. Housing constructed prior to 1978, however, is at-risk of containing LBP. According to the 2006-2010 ACS, an estimated 625 units (representing 83 percent of the housing stock) in Del Rey Oaks and an estimated 891 units (approximately 44 percent of the housing stock) in Gonzales were constructed prior to 1980. The majority of the housing stock in the in the unincorporated County as a whole was constructed prior to 1980 (62 percent).

The potential for housing to contain LBP varies depending on the age of the housing unit. National studies estimate that 75 percent of all residential structures built prior to 1970 contain LBP. Housing built prior to 1940, however, is much more likely to contain LBP (estimated at 90 percent of housing units). About 62 percent of housing units built between 1960 and 1979 are estimated to contain LBP. Table 21 estimates the number of housing units in Del Rey Oaks, Gonzales, and the County unincorporated areas containing LBP utilizing the assumptions outlined above. It should be noted, however, that not all units with LBP present a hazard. Properties most at risk include structures with deteriorated paint, chewable paint surfaces, friction paint surfaces, and deteriorated units with leaky roofs and plumbing.

<b>Table 21: Lead-Based Paint Estimates (2006-2010)</b>			
<b>Year Built</b>	<b>Del Rey Oaks</b>		
	<b>Percent</b>		<b>Estimated No. of Units with LBP</b>
	<b>Units</b>	<b>with LBP</b>	
1960-1979	196	62% ± 10%	122 ± 20
1940-1959	401	80% ± 10%	321 ± 40
Before 1940	28	90% ± 10%	25 ± 3
<b>Total Units</b>	<b>625</b>	<b>62% ± 10%</b>	<b>388 ± 63</b>
<b>Year Built</b>	<b>Gonzales</b>		
	<b>Percent</b>		<b>Estimated No. of Units with LBP</b>
	<b>Units</b>	<b>with LBP</b>	
1960-1979	435	62% ± 10%	270 ± 44
1940-1959	237	80% ± 10%	190 ± 24
Before 1940	219	90% ± 10%	197 ± 22
<b>Total Units</b>	<b>891</b>	<b>62% ± 10%</b>	<b>552 ± 89</b>
<b>Year Built</b>	<b>County Unincorporated Areas</b>		
	<b>Percent</b>		<b>Estimated No. of Units with LBP</b>
	<b>Units</b>	<b>with LBP</b>	
1960-1979	14,457	62% ± 10%	8,963 ± 1,446
1940-1959	8,294	80% ± 10%	6,635 ± 829
Before 1940	2,785	90% ± 10%	2,507 ± 279
<b>Total Units</b>	<b>25,536</b>	<b>62% ± 10%</b>	<b>15,832 ± 2,554</b>

Source: American Community Survey (ACS), 2006-2010.

In Monterey County, lead paint hazards are monitored by the California Department of Public Health (CPDH). As of 2010, the CPDH reported a total of 80 cases in Monterey County of persons age 21 and younger with elevated blood lead levels (of 9.5 micrograms per deciliter [mg/dL] or higher). This is a significant decrease from the 181 cases reported in 2007. The Center for Disease Control has determined that a child with a blood lead level of 15 to 19 mg/dL is at high risk for lead poisoning, while a child with a blood lead level above 19 mg/dL requires full medical evaluation and public health follow-up.

#### 4. Housing Tenure and Vacancy

Housing tenure describes the arrangement by which a household occupies a housing unit; that is, whether a housing unit is owner-occupied or renter-occupied. A person may face different fair housing issues in the rental housing market versus in the for-sale housing market. Residential stability is also influenced by tenure with ownership housing evidencing a much lower turnover rate than rental housing. Tenure preferences are primarily related to household income, composition, and age of the householder. Communities need to have an adequate supply of units available both for rent and for sale in order to accommodate a range of households with varying incomes, family sizes, composition, life styles, etc.

Table 22 summarizes the tenure and vacancy characteristics of the Urban County's households. The majority of households within the Urban County owned their homes (67 percent); however, several CDPs did have a significant proportion of renter households. Specifically, Aromas (81 percent), Pajaro (77 percent), San Ardo (66 percent), and Castroville (59 percent) had the highest proportions of renter households of any of the CDPs within the County, and far exceeded the proportion of renter households within the Urban County as a whole (33 percent).

<b>Table 22: Housing Tenure and Vacancy by Subarea (2010)</b>			
<b>Area</b>	<b>Renter</b>	<b>Owner</b>	<b>Vacancy Rate</b>
<b>Unincorporated Monterey County</b>			
Aromas	81.4%	18.6%	4.3%
Boronda	53.6%	46.4%	4.6%
Bradley	56.8%	43.2%	7.5%
Carmel Valley Village	30.0%	70.0%	12.1%
Castroville	59.1%	40.9%	4.5%
Chualar	54.3%	45.7%	2.4%
Del Monte Forest	16.9%	83.1%	31.5%
Elkhorn	28.6%	71.4%	5.8%
Las Lomas	38.5%	61.5%	4.0%
Lockwood	40.5%	59.5%	17.3%
Moss Landing	45.0%	55.0%	7.4%
Pajaro	77.3%	22.7%	5.2%
Pine Canyon	19.0%	81.0%	5.6%
Prunedale	23.7%	76.3%	5.7%
San Ardo	66.4%	33.6%	11.4%
San Lucas	46.3%	53.7%	11.8%
Spreckels	30.1%	69.9%	6.9%
Balance of Unincorporated Monterey County	33.6%	66.4%	13.8%
<b>Total Unincorporated Monterey County</b>	<b>32.9%</b>	<b>67.1%</b>	<b>12.6%</b>
<b>Cities</b>			
Del Rey Oaks	26.2%	73.8%	5.4%
Gonzales	46.5%	53.5%	4.2%
<b>Total</b>			
Urban County	33.5%	66.5%	12.1%
Monterey County	49.1%	50.9%	9.4%

Source: Bureau of the Census, 2010.

A certain number of vacant units are needed to moderate the cost of housing, allow sufficient choice for residents and provide an incentive for unit upkeep and repair. Vacancy rates are generally higher among rental properties, as rental units have greater attrition than owner-occupied units. A healthy vacancy rate — one which permits sufficient choice and mobility among a variety of housing units — is considered to be two to three percent for ownership units and five to six percent for rental units. Low vacancy rates can indicate a heightened likelihood of housing discrimination as the number of house-seekers increases while the number of available units remains relatively constant. Managers and sellers are then able to choose occupants based on possible biases because the applicant pool is large. The vacancy rate for the Urban County is within the healthy range, indicating sufficient housing options and mobility for residents.

As indicated in Table 23, in the unincorporated County and the Urban County, renters are more likely to be lower and moderate income and are somewhat more likely to experience housing problems such as cost-burden and substandard housing conditions. In Del Rey Oaks, the proportions of lower and moderate income owner and renter households were nearly equal, as were the proportions of households with housing problems. A significantly larger proportion of renter households in Gonzales were lower and moderate income in comparison to owner households, however, owner and renter households were similarly likely to experience housing problems.



<b>Table 23: Tenure Profile (2005-2009)</b>			
<b>Tenure</b>	<b>Percent of All Households</b>	<b>Percent Low and Moderate Income</b>	<b>Housing Problems</b>
<b>Del Rey Oaks</b>			
Owner-Occupied	71.4%	23.6%	40.2%
Renter-Occupied	28.6%	25.6%	40.6%
All Households	100.0%	24.2%	40.3%
<b>Gonzales</b>			
Owner-Occupied	57.3%	35.4%	57.9%
Renter-Occupied	42.7%	75.4%	52.0%
All Households	100.0%	52.5%	55.4%
<b>Unincorporated Monterey County</b>			
Owner-Occupied	71.1%	20.7%	42.9%
Renter-Occupied	28.9%	48.5%	49.0%
All Households	100.0%	28.7%	44.7%
<b>Urban County</b>			
Owner-Occupied	70.3%	21.4%	43.6%
Renter-Occupied	29.7%	50.2%	49.1%
All Households	100.0%	30.0%	45.2%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data, American Community Survey (ACS), 2005-2009.

## F. Housing Cost and Affordability

One of the most important factors in evaluating a community’s housing market is the cost of housing and, even more significant, whether the housing is affordable to households who live there or would like to live there. Housing problems directly relate to the cost of housing in a community. If housing costs are relatively high in comparison to household income, a correspondingly high prevalence of housing cost burden and overcrowding occurs. The Monterey Bay area is viewed as a very desirable place to live and, consequently, housing costs have become increasingly less affordable over the years. This section evaluates the affordability of the housing stock in the Urban County to lower and moderate income households.

### 1. Ownership Housing Costs

The cost of homeownership varies quite dramatically within Monterey County depending on the community. For example, the median sales price in 2011 for a home in Carmel Valley Village was \$600,000. In other areas of the County, such as Chualar, the median sales price was much lower (\$126,000). Median sales prices in the County have remained stable in recent years but changes in the median price for homes also varied depending on the community.

The majority of CDPs within the County experienced a decline in the median sale price between 2010 and 2011 (Table 24). Although Chualar and Moss Landing experienced the largest decline (28

percent and 19 percent, respectively), these statistics are not very informative given the small number of units sold in these communities. Carmel Valley Village experienced a 14 percent increase in median sales price. It should be noted that this CDP also had the most number of homes sold in 2011 with 81 units sold. Homes in Carmel Valley Village continue to be some of the most expensive in the region. Chualar, Gonzales, and Castroville have some of the region's lowest priced homes with median home prices for all three communities under \$200,000. The overall median home sales price in the County did not change between 2010 and 2011.

Jurisdiction	Units Sold in 2011	Median Sale Price 2011	Median Sale Price 2010	Percent Change
Monterey County	3,796	\$240,000	\$240,000	0.0%
Aromas	5	\$400,000	\$360,000	11.1%
Carmel Valley Village	81	\$600,000	\$525,000	14.3%
Castroville	41	\$194,000	\$200,000	-3.0%
Chualar	3	\$126,000	\$175,000	-28.0%
Gonzales	76	\$175,000	\$182,000	-3.9%
Moss Landing	4	\$216,000	\$265,000	-18.5%
Spreckels	15	\$495,000	\$465,000	6.5%

Note: Home sales data are not available for communities in Monterey County, either due to community size or limited number of sales.

Source: DQnews.com, accessed November 28, 2012.

## 2. Rental Housing Costs

The foreclosure crisis in the previous decade has resulted in an economic recession with high rates of unemployment. As with home prices, rental rates in the Urban County vary dramatically by community. On the whole, rents were highest in the Carmel and Carmel Valley neighborhoods (Table 25). The communities of Salinas, Boronda, and Spreckels had the lowest average rents, where one-bedroom units rented for approximately \$883 and two-bedrooms for \$1,120.

Community	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4+Bedrooms
Carmel	\$934	\$1,593	\$2,320	\$3,229	\$4,820
Pacific Grove	\$950	\$998	\$1,782	\$2,106	--
Salinas/Boronda/Spreckles	\$742	\$883	\$1,120	\$1,713	\$1,964
Seaside	\$600	\$839	\$1,286	\$2,035	\$2,317
Carmel Valley	\$858	\$1,394	\$1,617	\$3,333	\$5,500
Castroville	\$900	--	\$1,025	\$1,900	--

Source: www.craigslist.org, accessed December 26, 2012.

### 3. Housing Affordability

Housing affordability can be inferred by comparing the cost of renting or owning a home in a community with the maximum affordable housing costs for households at different income levels. Taken together, this information can generally show who can afford what size and type of housing and indicate the type of households most likely to experience overcrowding and overpayment.

While housing affordability alone is not a fair housing issue, fair housing concerns may arise when housing affordability interacts with factors covered under the fair housing laws, such as household type, composition, and race/ethnicity.

The federal Department of Housing and Urban Development (HUD) conducts annual household income surveys nationwide to determine a household's eligibility for federal housing assistance. Households in the lower end of each category can afford less by comparison than those at the upper end. Table 26 shows the annual household income by household size and the maximum affordable housing payment based on the standard of 30 to 35 percent of household income. General cost assumptions for utilities, taxes, and property insurance are also shown.

**Table 26: Housing Affordability (2012)**

Household	Annual Income	Affordable Costs (All Costs)		Estimated Utility Allowance		Taxes and Insurance	Affordable Prices	
		Rental Costs	Ownership Costs	Renters	Owners		Renters	Owners
<b>Extremely Low Income (0-30% AMI)</b>								
1-Person	\$14,550	\$364	\$364	\$92	\$98	\$73	\$272	\$44,918
2-Person	\$16,600	\$415	\$415	\$103	\$111	\$83	\$312	\$51,434
3-Person	\$18,700	\$468	\$468	\$120	\$129	\$94	\$348	\$57,020
4-Person	\$20,750	\$519	\$519	\$127	\$138	\$104	\$392	\$64,468
5-Person	\$22,450	\$561	\$561	\$152	\$164	\$112	\$409	\$66,329
<b>Low Income (31-50% AMI)</b>								
1-Person	\$24,250	\$606	\$606	\$92	\$98	\$121	\$514	\$90,068
2-Person	\$27,700	\$693	\$693	\$103	\$111	\$139	\$590	\$103,101
3-Person	\$31,150	\$779	\$779	\$120	\$129	\$156	\$659	\$114,971
4-Person	\$34,600	\$865	\$865	\$127	\$138	\$173	\$738	\$128,935
5-Person	\$37,400	\$935	\$935	\$152	\$164	\$187	\$783	\$135,917
<b>Moderate Income (51-80% AMI)</b>								
1-Person	\$38,750	\$969	\$969	\$92	\$98	\$194	\$877	\$157,561
2-Person	\$44,300	\$1,108	\$1,108	\$103	\$111	\$222	\$1,005	\$180,369
3-Person	\$49,850	\$1,246	\$1,246	\$120	\$129	\$249	\$1,126	\$202,014
4-Person	\$55,350	\$1,384	\$1,384	\$127	\$138	\$277	\$1,257	\$225,520
5-Person	\$59,800	\$1,495	\$1,495	\$152	\$164	\$299	\$1,343	\$240,182
<b>Median Income (100% AMI)</b>								
1-Person	\$48,100	\$1,203	\$1,403	\$92	\$98	\$281	\$1,111	\$238,398
2-Person	\$54,950	\$1,374	\$1,603	\$103	\$111	\$321	\$1,271	\$272,571
3-Person	\$61,850	\$1,546	\$1,804	\$120	\$129	\$361	\$1,426	\$305,852
4-Person	\$68,700	\$1,718	\$2,004	\$127	\$138	\$401	\$1,591	\$340,956
5-Person	\$74,200	\$1,855	\$2,164	\$152	\$164	\$433	\$1,703	\$364,773

Sources: California Department of Housing and Community Development, 2012 Income limits; Housing Authority of Monterey County, 2012 Utility Allowance; and Veronica Tam and Associates, 2012.

Assumptions: 30% gross household income as affordable housing cost; 20% of monthly affordable cost for taxes and insurance; 10% downpayment; and 4.0% interest rate for a 30-year fixed-rate mortgage loan.

### Extremely Low Income

Extremely low income households earn 30 percent or less of the Area Median Income (AMI). Generally, the maximum affordable rental payment ranges from \$272 per month to \$409 a month, depending on household size (Table 26). The maximum affordable home price for extremely low income households ranges from \$44,918 to \$66,329. Based on rental data presented in Table 25, extremely low households of all sizes would be unlikely to secure adequately sized and affordable rental housing in the unincorporated County areas. According to the real estate data in Table 24, no homes would be affordable to extremely low households.

## Low Income

Low income households are those earning between 31 and 50 percent of the AMI. The maximum affordable rental payment ranges from \$514 to \$783 for households of one to five persons. The maximum affordable home purchase price for low income households ranges from \$90,068 to \$135,917. Based on rental rates and home prices presented earlier, low income households would have difficulty procuring adequately sized affordable housing in the unincorporated areas.

## Moderate Income

Moderate income households earn between 51 and 80 percent of the County AMI. The maximum home price a low income household can afford ranges from \$157,561 for a one-person household to \$240,182 for a five-person household. Affordable rental rates for moderate income households would range from \$877 to \$1,343. Based upon a review of homes recently sold in Monterey County, moderate income households may be able to secure a single-family home. Adequately sized rental units may still be difficult for moderate income households, especially larger ones.

## Median Income

Median income households earn 100 percent of the County AMI. The maximum affordable home price for median income households ranges from \$238,398 for a one-person household to \$364,773 for a five-person household. The maximum affordable rental payment ranges from \$1,111 to \$1,703 for households of one to five persons. Based on real estate data presented earlier, depending on household size, median income households could afford lower priced homes in the unincorporated areas of the County. Adequately sized rental units may still be difficult for median income households, especially larger ones.

# G. Housing Problems

A continuing priority of communities is enhancing or maintaining the quality of life for residents. A key measure of quality of life in the Urban County is the extent of “housing problems.” HUD assesses housing need within a community according to several criteria: (1) the number of households that are paying too much for housing; (2) the number of households living in overcrowded units; and (3) the number of households living in substandard housing conditions. Table 16: Housing Problems (2005-2009) – summarizes the extent of households facing some kind of housing problems. CHAS data provide further details on housing cost burden and overcrowding. These conditions are discussed below.

## 1. Cost Burden

According to the federal government, any housing condition where a household spends more than 30 percent of income on housing is considered cost-burdened. A cost burden of 30 to 50 percent is considered moderate; payment in excess of 50 percent of income is considered a severe cost burden. Cost burden is an important housing issue because paying too much for housing leaves less money available for basics such as food and living expenses as well as for emergency expenditures.

In the Urban County, the majority of lower and moderate income households experience a housing cost burden, with approximately 42 percent of all lower and moderate income households experiencing a severe housing cost burden (Table 27). The proportions of lower and moderate income households experiencing cost burden was slightly higher in both in Del Rey Oaks and Gonzales (70 percent and 68 percent, respectively). In Del Rey Oaks, the majority of lower and moderate income households were likely to experience severe cost burden (57 percent). Owner-occupied households in all three jurisdictions are more likely to experience housing cost burden than renter-occupied households.

<b>Table 27: Housing Cost Burden (2005-2009)</b>						
<b>Cost Burden</b>	<b>Lower and Moderate Income Households</b>			<b>All Households</b>		
	<b>Cost Burden</b>	<b>Severe Cost Burden</b>	<b>Total</b>	<b>Cost Burden</b>	<b>Severe Cost Burden</b>	<b>Total</b>
<b>Del Rey Oaks</b>						
Owner-Occupied	14.8%	53.3%	68.0%	21.3%	18.8%	40.0%
Renter-Occupied	7.5%	66.0%	73.6%	15.5%	16.9%	32.4%
All Households	12.6%	57.1%	69.7%	19.6%	18.2%	37.8%
<b>Gonzales</b>						
Owner-Occupied	40.0%	41.2%	81.2%	26.3%	27.5%	53.8%
Renter-Occupied	40.0%	19.3%	59.3%	30.2%	14.5%	44.7%
All Households	40.0%	27.7%	67.7%	19.1%	30.8%	49.9%
<b>Unincorporated Monterey County</b>						
Owner-Occupied	17.8%	46.9%	64.8%	21.3%	19.4%	40.7%
Renter-Occupied	26.2%	36.5%	62.7%	18.9%	19.6%	38.5%
All Households	21.9%	41.8%	63.7%	20.6%	19.5%	40.0%
<b>Urban County</b>						
Owner-Occupied	19.3%	46.6%	65.8%	21.4%	19.8%	41.2%
Renter-Occupied	25.1%	37.1%	62.2%	19.7%	19.1%	38.8%
All Households	22.2%	41.8%	64.0%	20.9%	19.6%	40.5%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data, American Community Survey (ACS), 2005-2009.

## 2. Overcrowding

Some households may not be able to accommodate high cost burdens for housing, but may instead accept smaller housing or reside with other individuals or families in the same home. Potential fair housing issues emerge if non-traditional households are discouraged or denied housing due to a perception of overcrowding.

According to state and federal guidelines, an overcrowded housing unit is defined as a unit with more than one person per room, including dining and living rooms but excluding bathrooms, kitchens, hallways, and porches. Severe overcrowding is described as households with more than 1.5 persons per room. Household overcrowding is reflective of various living situations: (1) a family lives in a home that is too small; (2) a family chooses to house extended family members; or (3) unrelated individuals or families are doubling up to afford housing. Not only is overcrowding a

potential fair housing concern, it can strain physical facilities and the delivery of public services, reduce the quality of the physical environment, contribute to a shortage of parking, and accelerate the deterioration of homes. As a result, some landlords or apartment managers may be more hesitant to rent to larger families, thus making access to adequate housing even more difficult.

According to the 2006-2010 ACS, approximately 15 percent of households in the City of Gonzales were overcrowded; by comparison, only one percent of households in the City of Del Rey Oaks were overcrowded. Within the unincorporated County, approximately eight percent of households were overcrowded. Overcrowding is three to four times more prevalent among renter-households than owner-households (Table 28).

<b>Table 28: Overcrowding (2006-2010)</b>						
	<b>Del Rey Oaks</b>		<b>Gonzales</b>		<b>Unincorporated Monterey County</b>	
	<b>Owner-Occupied</b>	<b>Renter-Occupied</b>	<b>Owner-Occupied</b>	<b>Renter-Occupied</b>	<b>Owner-Occupied</b>	<b>Renter-Occupied</b>
Household Tenure	494	190	1,110	725	19,975	9,861
Overcrowded (1+ occupants per room)	0	9	88	87	708	934
Severely Overcrowded (1.5+ occupants per room)	0	0	0	92	131	472
Percent Overcrowded	0.0%	6.0%	7.9%	24.7%	4.2%	14.3%

Source: American Community Survey (ACS), 2006-2010.

## H. Publicly Assisted Housing

The availability and location of public and assisted housing may be a fair housing concern. If such housing is concentrated in one area of a community, a household seeking affordable housing is limited to choices within that area. In addition, public/assisted housing and Housing Choice Voucher assistance should be accessible to lower income households regardless of race/ethnicity, disability, or other protected class status.

### 1. Public Housing

#### Public Housing Inventory

The Housing Authority of the County of Monterey (HACM) is a public agency that provides rental assistance and develops and manages affordable housing throughout Monterey County. In addition to the Housing Choice Voucher program (discussed below), the HACM manages 483 units of public housing throughout Monterey County. However, only two public housing projects are located in the Urban County area. Specifically, the 20-unit Casa de Oro and 30-unit Casa Santa Lucia are located in Gonzales. Casa de Oro has been identified by the HACM for disposition and conversion to voucher assistance. Casa de Oro is not financially self-sustaining and the HACM is exploring opportunities for privatizing this development. No public housing projects are located in Del Rey Oaks or in the unincorporated areas. A detailed inventory of HUD-funded public housing units can be found in Table 29.

**Table 29: Public Housing (2013) – Monterey County**

Project	Address	Unit Breakdown	Total Units
Casa de Oro (Senior Housing)	48 C Street Gonzales, CA 93926	18 One BR 2 Two BR	20
Casa Santa Lucia	Belden, Alta, 8th, 9th, & 10th St., Gonzales, CA 93926	Mix of 1, 3, 4, & 5 BR	30
Del Monte Plaza	1415 Del Monte Ave. Salinas, CA 93905	Mix of 1 & 2 BR	45
Del Monte Townhouse Apts	1259 Del Monte Ave. Salinas, CA 93905	8 Three BR 9 Four BR	17
El Gin Village	350 Casentini Street Salinas, CA 93907	Mix of 3 & 4 BR	44
Los Ositos (Senior Housing)	1083 Elm Avenue Greenfield, CA 93927	50 One BR	50
No Name	1011 E. Laurel Dr., 1029 Rider, 1111 & 1112 Alamo Way Salinas, CA	Mix of 2 & 3 BR	25
No Name	1062 Sanborn Rd. Salinas, CA 93905	10 Three BR	10
No Name - Referred to as Montecito Watson	242 Montecito & 531 Watson, Monterey, CA	13 Two BR	13
Northridge Plaza	1511, 1513, & 1515 Wheeler Drive Salinas, CA 93906	10 One BR 60 Two BR 10 Three BR	80
Ocean View Apartments	44 Natividad Rd. Salinas, CA 93901	8 One BR 19 Two BR 13 Three BR	40
Rider Manor	1030 Rider Avenue Salinas, CA 93905	1 Three BR 17 Two BR	18
Sanborn Arms	1058 N. Sanborn Rd. Salinas, CA 93905	Mix of 1 & 2 BR	16
Sanborn Estates	1025 N. Sanborn Rd. Salinas, CA 93905	Mix of 1 & 2 BR	14
Sanborn Plaza	1039 N. Sanborn Rd. Salinas, CA 93905	14 Two BR	14
Single Family Dwelling	Various	Three BR	3
Scattered Sites	540 Williams Rd. Salinas, CA 93905	3 Three BR	3
	775 & 780 Elkington Ave. Salinas, CA 93905	13 Three BR	13
	24 N. Wood St. Salinas, CA 93905	4 Four BR	4
	1012 N. Sanborn Rd. Salinas, CA 93905	Mix of 3 & 5 BR	11
	312 Williams Rd. Salinas, CA 93905	3 Four BR	3
	737 Mae St. Salinas, CA 93905	2 Three BR	2
	747 Mae St. Salinas, CA 93905	2 Three BR	2
	1113 D Street Salinas, CA 93905	Mix of 2, 3, & 4 BR	6
<b>Total</b>			<b>483</b>

Source: County of Monterey Housing Authority, 2013.



## Waiting List

As of January 2013, 467 residents were living in properties managed by the HACM. As shown in Table 30, the majority of public housing residents are White (95 percent). Black residents made up four percent of total residents and about 85 percent of residents identified themselves as ethnically Hispanic. The number of families on the waiting list for public housing far exceeds current capacity. As of January 2013, approximately 7,311 families were on the waiting list for public housing units. The demographics of public housing residents and those on the waiting list are summarized in Table 30.

<b>Table 30: Demographics of Public Housing Participants &amp; Waiting List (2013)</b>				
<b>Totals</b>	<b>Public Housing Participants</b>			<b>Public Housing Waiting List</b>
	<b>Del Rey Oaks</b>	<b>Gonzales</b>	<b>Monterey County</b>	<b>Monterey County</b>
	0	49	467	7,311
<b>Family Type</b>				
Elderly	--	46.9%	28.1%	6.4%
Disabled	--	12.2%	33.8%	14.4%
<b>Race</b>				
White	--	98.0%	94.6%	76.3%
Black	--	--	4.1%	7.6%
American Indian/Alaska Native	--	--	0.6%	1.3%
Asian	--	2.0%	1.1%	2.0%
Native Hawaiian/Other Pacific Islander	--	--	0.6%	0.8%
Multiple Races	--	--	--	1.2%
Other/Declined to Answer	--	--	--	10.9%
<b>Ethnicity</b>				
Hispanic	--	89.8%	85.4%	72.7%
Non-Hispanic	--	10.2%	14.6%	24.4%
Declined to Answer/Unknown	--	--	--	2.9%

Note: Waiting list data found in the FY 2013 Annual Plan does not document individual jurisdictions within Monterey County.

Sources:

1. Housing Authority of the County of Monterey, 2013.
2. Housing Authority of the County of Monterey, FY 2013 Annual Plan.

## 2. Housing Choice Vouchers

The Housing Choice Voucher is a rent subsidy program that helps lower income (up to 50 percent AMI)<sup>5</sup> families and seniors pay rents in private units. Voucher recipients pay a minimum of 30 percent of their income toward their contract rent, and the local housing authority pays the difference through federal funds up to the payment standard (fair market rent) established by the HACM. Any amount in excess of the payment standard is paid by the voucher recipient.

The HACM administers the Housing Choice Voucher program on behalf of jurisdictions within Monterey County. As of January 2013, 3,617 households in Monterey County were receiving Housing Choice Vouchers; 186 of these households resided in the unincorporated County, while 101 households are residents of Gonzales.

The demographics and household characteristics of Housing Choice Voucher participants are provided in Table 31. Approximately 88 percent of voucher recipients in the County were White, eight percent were Black, and 62 percent identified themselves as ethnically Hispanic. Within the unincorporated County, a larger proportion of participants were White (95 percent) in comparison to the County overall, while slightly less identified themselves as ethnically Hispanic (51 percent). The waiting list for the Housing Choice Voucher program is currently closed and not expected to reopen for several years due to the number of persons currently on the waiting list and the lack of new vouchers.

	Voucher Participants				Voucher Waiting List
	Del Rey Oaks	Gonzales	Unincorporated County	Monterey County	Monterey County
<b>Totals</b>	1	101	186	3,617	3,475
<b>Family Type</b>					
Elderly	--	15.8%	45.7%	31.5%	2.3%
Disabled	--	26.7%	60.8%	52.5%	7.8%
<b>Race</b>					
White	--	96.0%	94.6%	88.3%	86.0%
Black	100.0%	2.0%	4.8%	8.0%	8.6%
American Indian/ Alaska Native	--	--	<0.1%	1.4%	1.4%
Asian	--	1.0%	<0.1%	2.6%	1.7%
Native Hawaiian/ Other Pacific Islander	--	1.0%	--	0.5%	0.9%
Multiple Races	--	--	--	<0.1%	1.4%
Other/Declined to Answer	--	--	--	--	<0.1%

<sup>5</sup> The Housing Choice Voucher Program refers to households with incomes below 50 percent of the AMI as “very low income.” For consistency throughout this document, households qualifying for Housing Choice Vouchers (incomes <50 percent AMI) are referred to as lower income households.

**Table 31: Demographics of Voucher Participants & Waiting List (2013)**

	Voucher Participants				Voucher Waiting List
	Del Rey Oaks	Gonzales	Unincorporated County	Monterey County	Monterey County
<b>Ethnicity</b>					
Hispanic	--	92.1%	51.1%	61.5%	75.5%
Non-Hispanic	100.0%	7.9%	48.9%	38.3%	24.5%
Declined to Answer/Unknown	--	--	--	0.2%	<0.1%

Note: Waiting list data found in the FY 2013 Annual Plan does not document individual jurisdictions within Monterey County.  
Source:

1. Housing Authority of the County of Monterey, 2013.
2. Housing Authority of the County of Monterey, FY 2013 Annual Plan.

### 3. Other Assisted Housing Projects

Housing developments utilizing federal, state, and/or local programs, including state and local bond programs, Low-Income Housing Tax Credits (LIHTC), density bonus, or direct assistance programs, are often restricted for use as low income housing and provide another source of affordable housing for a jurisdiction. The location of these assisted housing units is partly the result of economic feasibility. Affordable housing is more likely to be developed in high density areas, where the lower land costs per unit (i.e. more units on a piece of property) can result in lower development costs and associated lower housing payments. As in typical urban environments throughout the country, however, areas designated for high density housing in the Urban County are usually adjacent to areas designated for commercial and industrial uses.

Table 32 summarizes the inventory of assisted housing in the Urban County. The distribution of these developments, along with the location of public housing units and Housing Choice voucher recipients, is displayed in Figure 4. Mapping of assisted housing projects and voucher data is for the Urban County only. Generally, more affordable housing projects are located in the North County areas.

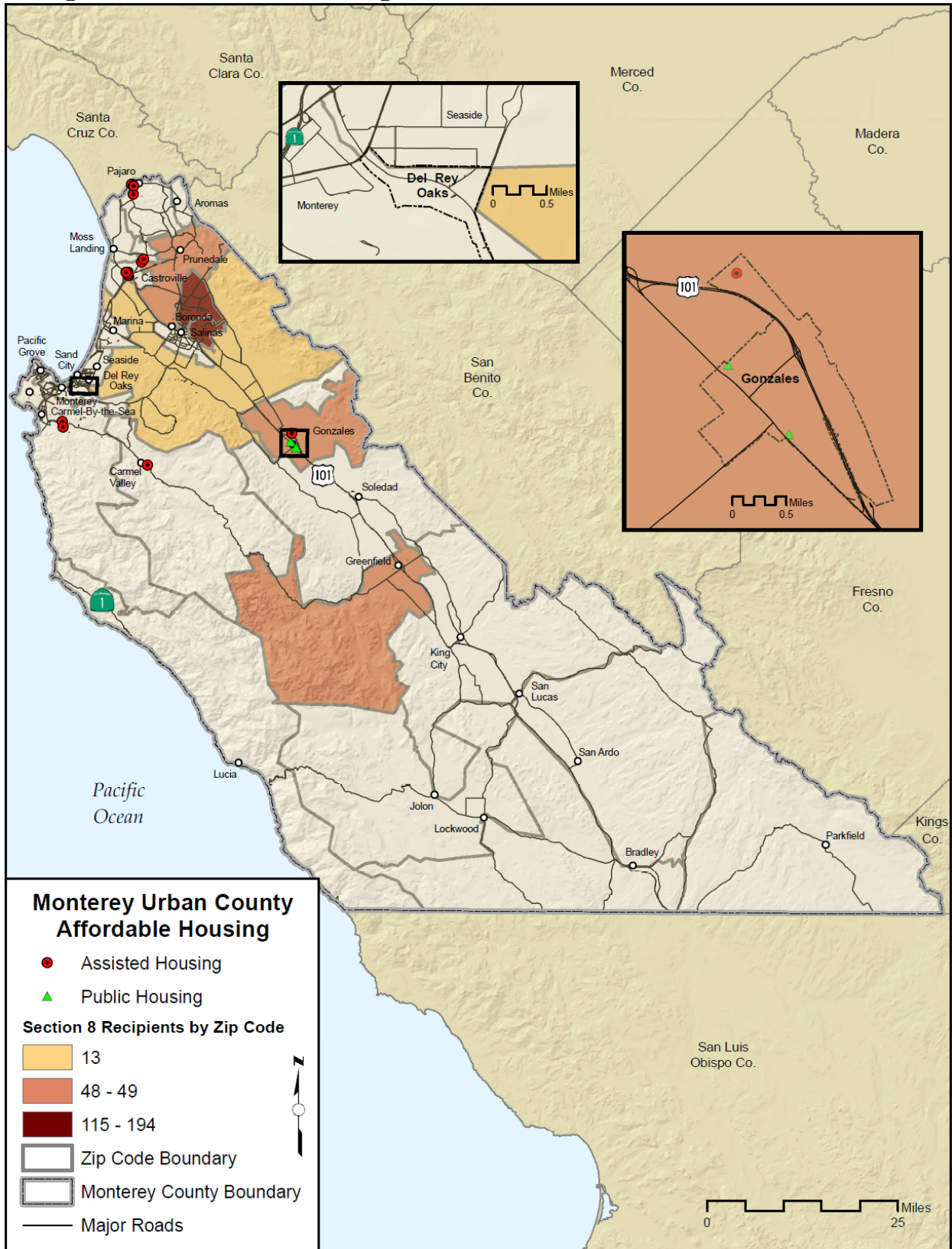
**Table 32: Assisted Housing Projects (2012)**

Project Name	Address	Type	Funding Source	Earliest Date of Conversion	Total Units	Affordable Units (up to 80% AMI)
<b>Gonzales</b>						
Canyon Creek Apartments	1834 Chablis Way Gonzales, CA	Family	LIHTC	2035	36	36
<b>Unincorporated Monterey County</b>						
Artichoke Inn	11050, 11060, 11070, 11080, 11090, 11100 Mead St. Castroville, CA	Family	Inclusionary Housing	Perpetuity	6	6
Axtell Apartments (to open Fall 2013)	Northern corner of Axtell Street and Preston Street Castroville, CA	Family	Redevelopment Set-Aside	2065	66	65

**Table 32: Assisted Housing Projects (2012)**

Project Name	Address	Type	Funding Source	Earliest Date of Conversion	Total Units	Affordable Units (up to 80% AMI)
Belmont Heights	102 & 104 Spreckels Ave. 5 & 7 Llano Ave. Spreckels, CA	Family	Inclusionary Housing	Perpetuity	4	4
Brooklyn Street	58A & B Brooklyn St. Pajaro, CA	Family	HOME	2058	2	2
Camphora Project	32101 McCoy Road Soledad, CA	Farm Worker	Redevelopment Set-Aside	Project demolition and replacement of units proposed	44	44
Castroville Farm Labor Housing	Seymour and Pajaro St. Haight and Speegle St. Castroville, CA	Farm Worker	USDA	Perpetuity	48	48
Chualar Farm Labor Center	24487 Grant St. Chualar, CA	Farm Worker	USDA	Perpetuity	29	29
Cynara Court	10860 Merritt Street Castroville, CA	Family	Redevelopment Set-Aside	2065	58	57
El Cerrito Townhomes	8860 Vista De Tierra Circle Castroville, CA	Family	LIHTC	2031	60	60
Grey Goose Townhomes	5499 Grey Goose Gulch Drive Carmel Valley, CA	Family	LIHTC/ Inclusionary Housing	2024	9	9
Jardines de Boronda	15087 Canario St. Salinas, CA	Family	Redevelopment Set-Aside	2058	16	15
Kents Court	Railroad Ave Pajaro, CA	Family	Redevelopment Set-Aside	Perpetuity	19	19
Manzanita Place	17500 Reynolds Street East Garrison, CA	Family	Redevelopment Set-Aside	2068	66	65
Moro Lindo Townhomes	8757 Sabino Drive Castroville, CA	Family	LIHTC	2036	30	30
Nuevo Amenecer	15 Salinas Rd. Pajaro, CA	Family	Redevelopment Set-Aside, HOME	2060	63	62
Oak Hills Infill	10541 #1-6 Geil St. Castroville, CA	Family	Inclusionary Housing	Perpetuity	25	2
Pacific Meadows	5315 Carmel Valley Road Carmel Valley, CA	Senior	LIHTC, HOME	2040	200	200
Rippling River Apartments	53 E Carmel Valley Road Carmel Valley, CA	Senior	LIHTC, HOME, CDBG	2061	79	78
The Commons at Rogge Road	1001 A-E & 1003 Rogge Road Salinas, CA	Family	Redevelopment Set-Aside, LIHTC	2062	48	48

**Figure 4: Affordable Housing**





## 4. Licensed Community Care Facilities

Persons with special needs, such as the elderly and those with disabilities, must also have access to housing in a community. Community care facilities provide a supportive housing environment to persons with special needs in a group situation. Restrictions that prevent this type of housing represent a fair housing concern.

According to the Community Care Licensing Division of the State of California’s Department of Social Services, there are 25 State-licensed community care facilities located in the Urban County. The locations of these facilities are shown in Figure 2. Concentrations of licensed care facilities can be seen in the North County area near the City of Carmel. There is a noticeable absence of facilities in the central and southern portions of the unincorporated County.

Table 33 provides a tabulation of licensed care capacity by jurisdiction and Figure 2 displays the location of these facilities. The ratio of beds per 1,000 persons is used to identify concentration of residential care facilities. Licensed care facilities in the Urban County are most concentrated in unincorporated areas near the City of Carmel and throughout northern unincorporated areas, and are noticeably absent in Gonzales and the southern unincorporated areas of the County. Areas of the unincorporated near Carmel have the greatest number of facilities within the Urban County with 13 and account for the majority of the available capacity within the Urban County with 401 beds.

Jurisdiction	Number of Facilities	Capacity		Zoning Compliant with Lanterman Act
		Beds	Beds/1,000 Population	
Del Rey Oaks	1	6	<1	No
Gonzales	0	0	0	No
Unincorporated County	24	474	47	Yes
Total Urban County	25	480	48	

Source: Number of licensed facilities and capacities obtained from the State of California Department of Social Services, Community Care Licensing Division, 2012.

### I. Provision of Services and Accessibility to Public Transit

Public transit is relevant to the issue of fair housing as access to public transit is of paramount importance to households affected by low incomes and rising housing prices. Public transit should link lower income persons, who are often transit dependent, to major employers where job opportunities exist. Access to employment via public transportation can reduce welfare usage rates and increase housing mobility, which enables residents to locate housing outside of traditionally lower and moderate income neighborhoods. The lack of a 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. In addition, elderly and disabled persons also often rely on public transit to visit doctors, go shopping, or attend activities at community facilities. Public transit that provides a link between job opportunities, public

services, and affordable housing helps to ensure that transit-dependent residents have adequate opportunity to access housing, services, and jobs.

## 1. Public Transit

Monterey-Salinas Transit (MST) provides bus service to the greater Monterey and Salinas areas, as far south as Paso Robles and Big Sur and as far north as Watsonville and San Jose. Service originates from two primary locations—the Monterey Transit Plaza, in downtown Monterey, and the Salinas Transit Center, in downtown Salinas. The major regional transit routes that serve Urban County residents are displayed in Figure 5. MST also provides customers with easy and convenient connections to a variety of bus and rail lines for travel outside of Monterey County:

### Santa Cruz County

Connections between MST and Santa Cruz METRO are made at the Watsonville Transit Center (located at 475 Rodriguez Street in Watsonville). MST's Line 27 Watsonville-Marina, Line 28 Salinas-Watsonville via Castroville, and Line 29 Salinas-Watsonville via Prunedale all end at the Watsonville Transit Center. At the Watsonville Transit Center, passengers can transfer to local buses serving Watsonville as well as regional buses that travel west into Downtown Santa Cruz. Transfers to other METRO bus lines that visit the mountains, beaches and redwood forests of Santa Cruz County can also be made in Downtown.

### Santa Clara County

MST's Line 55 Monterey-San Jose Express and Line 79 Presidio-San Jose Express via Gilroy connect the Monterey Peninsula with the Santa Clara County cities of Gilroy, Morgan Hill and San Jose. Lines 55 and 79 stop at the Caltrain Station in Gilroy, offering connections to both Caltrain as well local VTA buses, while Morgan Hill is served by Line 55 only. For the convenience of students and faculty members, both Line 55 and Line 79 serve San Jose State University as they travel to and from the Diridon Train Station in downtown San Jose. In downtown, MST customers can transfer to VTA light rail and local buses.

### Paso Robles and San Luis Obispo

MST offers transit connections to San Luis Obispo County via Line 82 Fort Hunter Liggett-Salinas Express and Line 83 Fort Hunter Liggett-Paso Robles Express. Line 82 begins at the Salinas Transit Center with stops at Santa Lucia Square in Greenfield, Mee Memorial Hospital in King City, and Fort Hunter Liggett. From there, connections to Line 83 serve Lockwood and San Miguel before terminating at the North County Transit Center in Paso Robles. In Paso Robles, passengers can transfer to San Luis Obispo Regional Transit Authority buses to travel further south.

### San Mateo County and San Francisco

MST's Line 55 Monterey-San Jose Express serves the Gilroy, Morgan Hill and San Jose Diridon Caltrain Stations seven days a week. Most Line 55 trips are timed to make easy transfers to Caltrain, which serves San Mateo County and San Francisco. MST's Line 79 Presidio-San Jose Express via Gilroy has early morning and evening connections to Caltrain on weekdays only. Caltrain now

operates “Baby Bullet” express trains on selected trips, making travel up to San Francisco even faster.

### East Bay and Sacramento

For travel through the East Bay and up to Sacramento, MST’s Line 55 Monterey-San Jose Express connects with the Capitol Corridor trains operated by Amtrak at San Jose Diridon Station. Timed connections with these trains enable passengers to complete these longer-distance trips efficiently and conveniently.

### Greyhound

MST’s Salinas Transit Center (110 Salinas Street) is a short walk away from the Greyhound Station (17 West Gabilan Street) where northbound and southbound intercity coaches connect Salinas with the Bay Area, Los Angeles and beyond. In addition, MST’s Line 55 Monterey-San Jose Express and Line 79 Presidio-San Jose via Gilroy stop right in front of the San Jose Greyhound station at 70 South Almaden Street.

### Amtrak

MST’s Salinas Transit Center (110 Salinas Street) is a short walk away from the Amtrak Station which is served by the Coast Starlight train traveling as far north as Seattle and as far south as Los Angeles. Amtrak Thruway buses also serve the Salinas train station and provide shorter trips within California, including connecting service to the Central Valley. For the convenience of transferring passengers, MST’s Line 29 Watsonville-Salinas serves the train station on request.

## 2. Major Employers

According to the City of Gonzales, the majority of the top employers in the City are in the agriculture business. In the County as a whole, top employers include providers of government, agriculture, and health services. Figure 5 illustrates transportation access to major employers in the Urban County. Nearly all of the County’s major employers are also located directly on or adjacent to public transit routes.

<b>Table 34: Major Employers in the Urban County (2012)</b>		
<b>Employer</b>	<b>Number of Employees</b>	<b>Address</b>
<b>Gonzales</b>		
Arroyo Labor Contracting	350	800 Johnson Canyon Rd Ste 4
Jackpot Harvesting	200	701 Alta St.
Gonzales Unified School District	293	600 Elko St.
Mathias Villegas	250	429 Day St.
Taylor Fresh Vegetables	340	100 Puente Del Monte Ave.
Constellation Wine	100	800 S Alta St
Gonzales Packing Company	85	201 Alta St.
Silva Farms	100	21 River Rd



**Table 34: Major Employers in the Urban County (2012)**

<b>Employer</b>	<b>Number of Employees</b>	<b>Address</b>
Ramsay Highlander	43	5 Gonzales River Rd
<b>Monterey County</b>		
County of Monterey	3,516	168 West Alisal St.,3rd Floor Salinas, CA 93901
Dole Fresh Vegetable	3,000	639 S Sanborn Rd Salinas, CA 93901
Tanimura & Antle	1,800	1 Harris Rd Salinas, CA 93908
Pebble Beach Company	1,600	17-Mile Drive Pebble Beach, CA 93953
California Correctional Training Facility – Soledad	1,643	Hwy 101 N Soledad, CA 93960
Community Hospital of the Monterey Peninsula	1,500	23625 Holman Hwy Monterey, CA 93942
D’Arrigo Brothers	1,500	21777 Harris Rd Salinas, CA 93902
Naval Postgraduate School	1,500	1 University Cir Monterey, CA
Defense Language Institute	1,500	1759 Lewis Rd. Bldg 614, Ste. 251 Monterey, CA 93944
Salinas Union High School District	1,400	431 W Alisal St Salinas, CA 93901

Note: No major employers located within Del Rey Oaks.

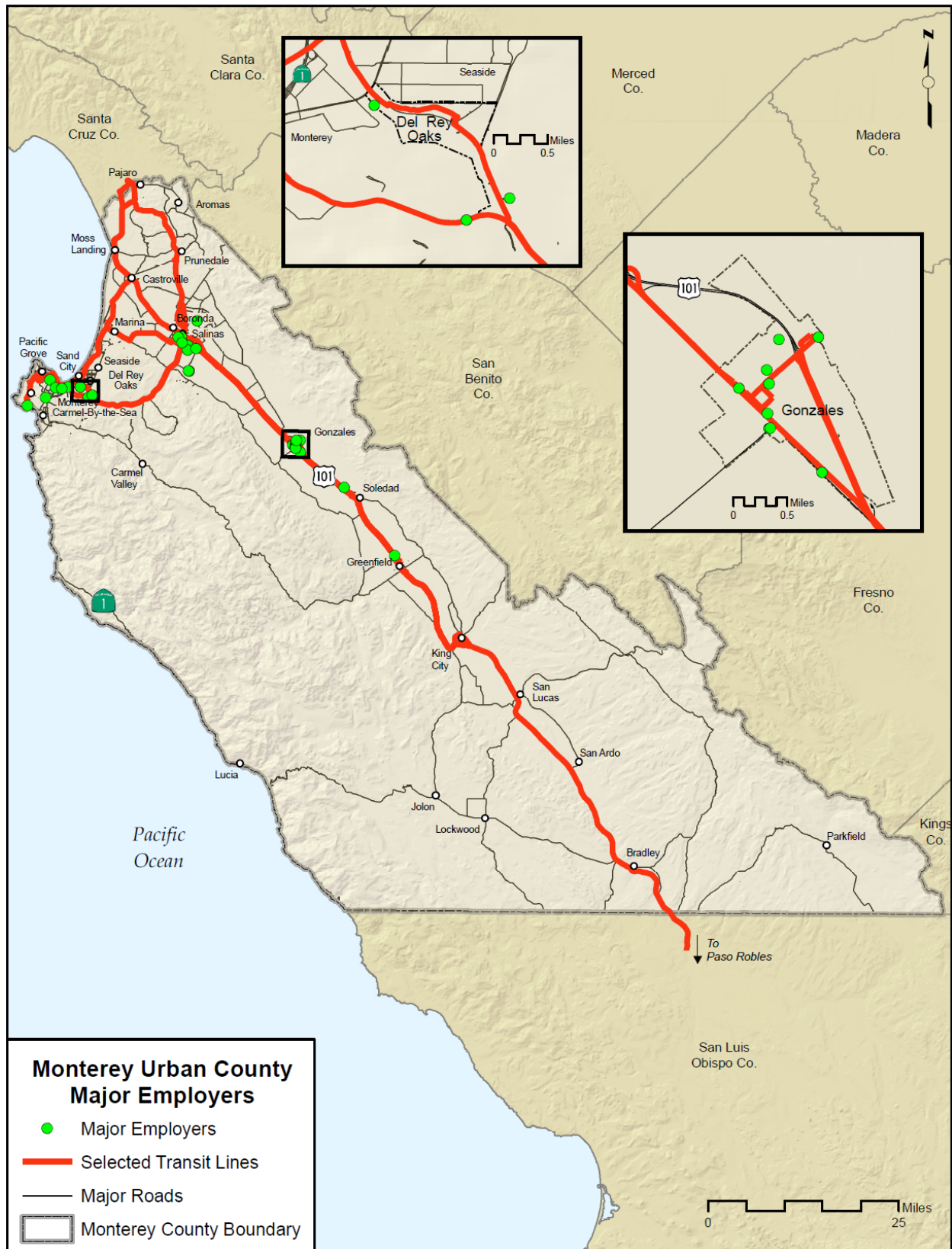
Source:

1. County of Monterey, 2013.
2. City of Gonzales, 2013.

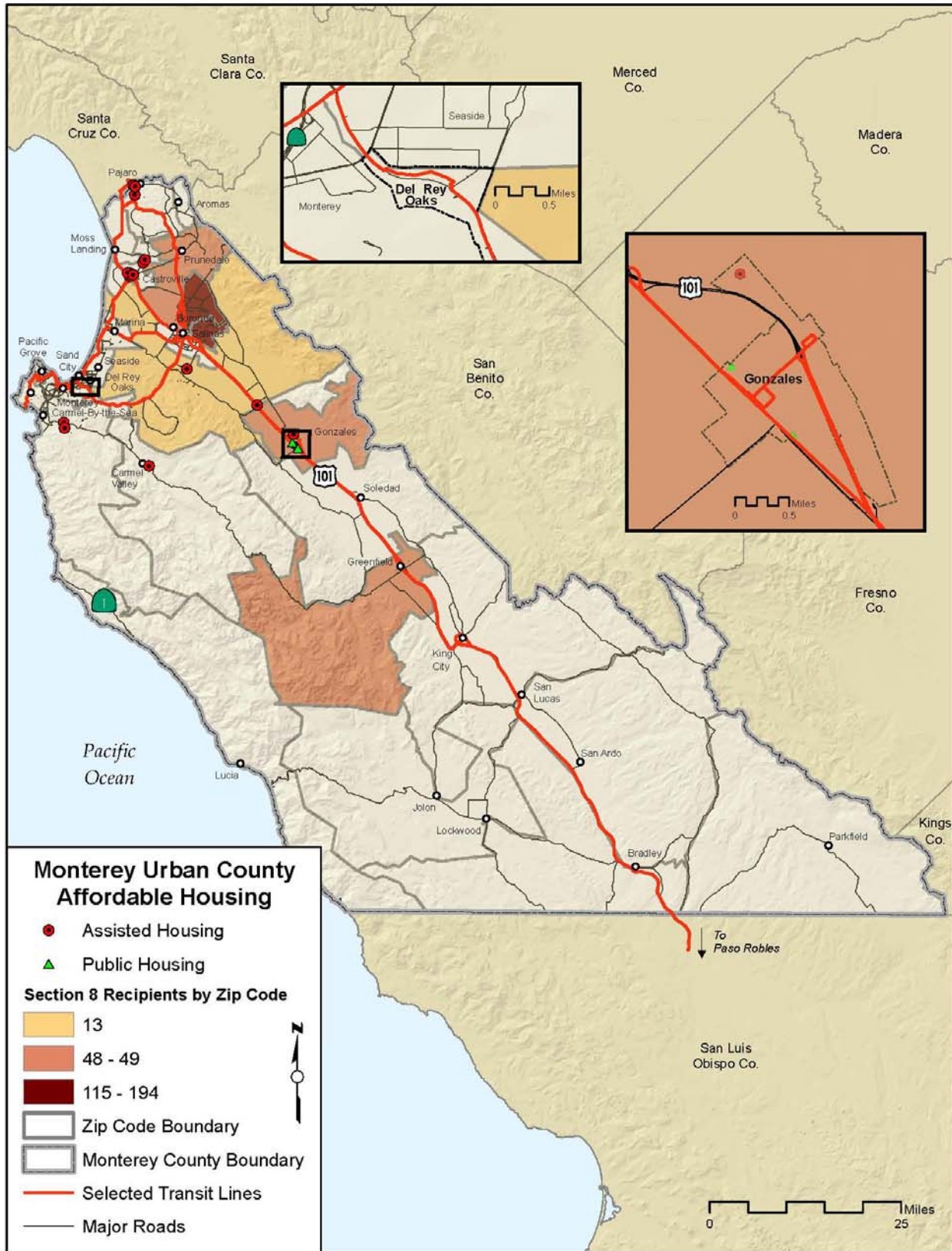
### 3. Affordable Housing

Figure 6 illustrates the location of the City’s affordable housing projects in relation to regional transit services. Not all affordable housing projects are located along regional transit routes.

Figure 5: Major Employers and Public Transit



**Figure 6: Affordable Housing and Public Transit**



## 4. Public Schools

Established more than 150 years ago by California's Constitution, the Monterey County Office of Education (MCOE) provides vital resources to support the County's 24 school districts, two community colleges, and state university. MCOE provides teacher, administrator, and instructional support services to improve teaching and learning in the classroom and increase achievement for all students. MCOE also serves as the connection between local schools and the state and federal governments. Public education in the Urban County is administered by the following school districts:

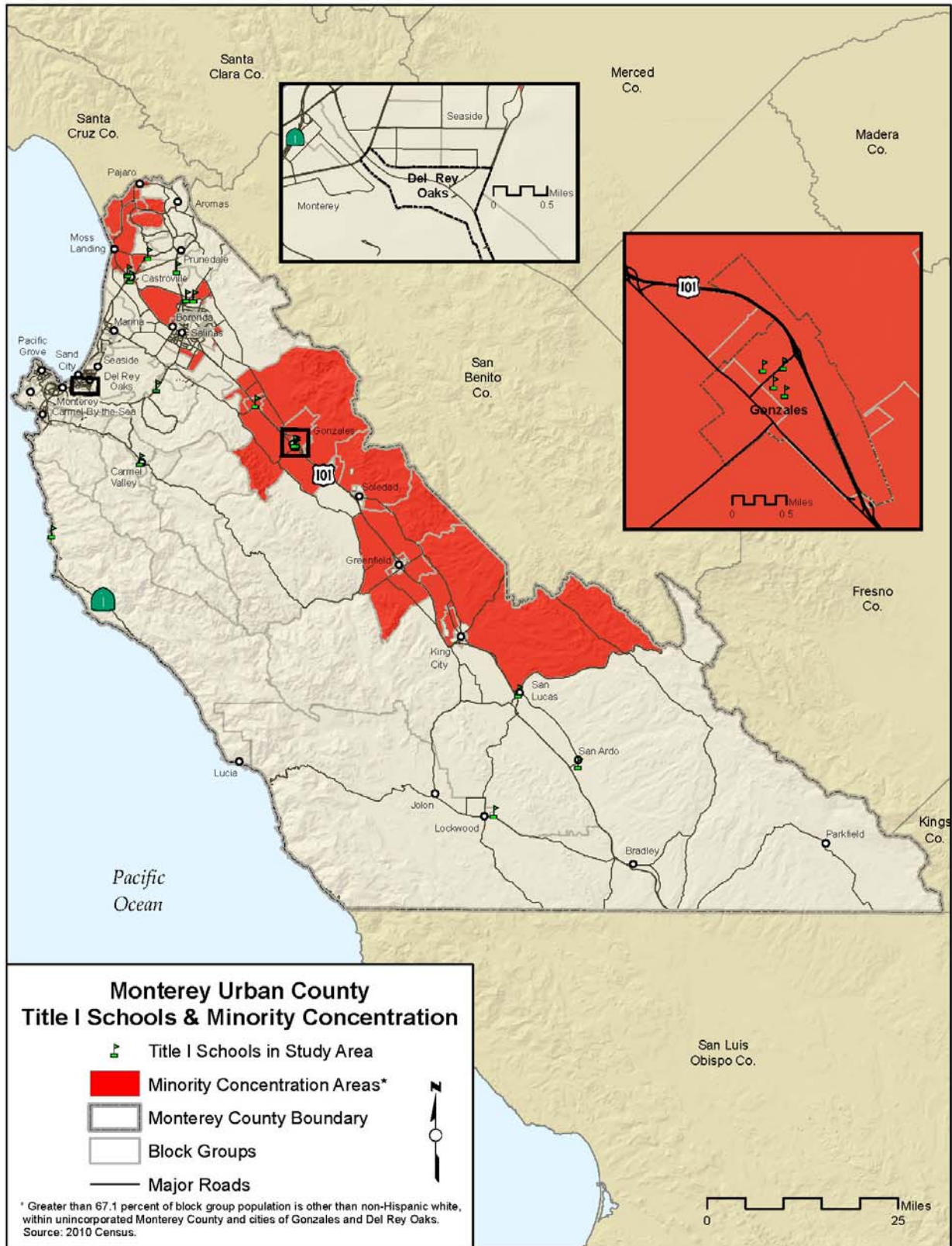
- Alisal Union School District
- Big Sur Unified School District
- Bradley Union School District
- Carmel Unified School District
- Chualar Union School District
- Gonzales Unified School District
- Graves School District
- Greenfield Union School District
- King City Union School District
- Lagunita School District
- Mission Union School District
- Monterey Peninsula Unified School District
- North Monterey County Unified School District
- Pacific Grove Unified School District
- Salinas City Elementary School District
- Salinas Union High School District
- San Antonio Union School District
- San Ardo Union School District
- San Lucas Union School District
- Santa Rita Union School District
- Soledad Unified School District
- South Monterey County Joint Union High School District
- Spreckels Union School District
- Washington Union School District

As part of President Johnson's "War on Poverty," the Elementary and Secondary Education Act (ESEA) was passed in 1965. It is often regarded as the most far-reaching federal legislation affecting education ever passed by Congress. The act is an extensive statute that funds primary and secondary education, while emphasizing equal access to education and establishing high standards and accountability. A major component of ESEA is a series of programs typically referred to as "Title I." Title I programs distribute funding to schools and school districts with a high percentage of students from low income families. To qualify as a Title I school, a school typically must have around 40 percent or more of its students coming from families who are low income. The programs also give priority to schools that are in obvious needs of funds, low-achieving schools, and schools that demonstrate a commitment to improving their education standards and test scores.

Figure 7 illustrates the location of Title I schools in the Urban County. Most of these schools are located in areas with minority concentrations. These areas generally correlate with the low and moderate income areas.



Figure 7: Title I Schools



## 5. Access to Public and Supportive Services

### Geographic Distribution of Public and Supportive Services

During the community outreach process for developing this AI report along with the Urban County's first Consolidated Plan, a recurring theme was the lack of public and supportive services in certain geographic areas. Most public and supportive services are available in service hubs such as Salinas and Monterey. Residents in remote and rural communities have difficulty accessing services, especially those who rely on public transportation. Additionally, nonprofit organizations find it difficult to serve these areas in a cost-efficient manner.

### ADA Compliant Public Facilities (Section 504 Assessment)

The Americans with Disabilities Act (ADA) of 1990 is federal civil rights legislation which 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 to facilitate participation among disabled residents in the community planning and decision-making processes. One of the key places that facilitate community participation is City Hall and the County Administration Building. The County Administration Building is ADA compliant; however, some of the County's facilities are old enough to be exempt from ADA compliance – these facilities will be upgraded to ADA standards in the future when they undergo substantial improvement or renovation. All City buildings in Gonzales are ADA compliant. The City of Del Rey Oaks has applied for CDBG funding to retrofit its City Hall to meet ADA guidelines.

# Chapter 4

## Lending Practices

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A key aspect of fair housing choice is equal access to credit for the purchase or improvement of a home, particularly in light of the recent tightening of lending/credit markets. This chapter reviews the lending practices of financial institutions and the access to financing for all households, particularly minority households and those with lower incomes. Lending patterns in lower and moderate income neighborhoods and areas of minority concentration are also examined. However, publicly available data on lending does not contain detailed information to make conclusive statements of discrimination, but can only point out potential areas of concerns. Furthermore, except for outreach and education efforts, a local jurisdiction's ability to influence lending practices is limited. Such practices are largely governed by national policies and regulations.

### A. Background

Discriminatory practices in home mortgage lending have evolved over the last five to six decades. In the 1940s and 1950s, racial discrimination in mortgage lending was easy to spot. From government-sponsored racial covenants to the redlining practices of private mortgage lenders and financial institutions, minorities were denied access to home mortgages in ways that severely limited their ability to purchase a home. Today, discriminatory lending practices are more subtle and tend to take different forms. While mortgage loans have become more readily available in lower and moderate income minority communities, some mortgage brokers pushed borrowers into higher-cost subprime mortgages that were not well suited to their needs and have led to financial problems. Although the recent tightening of credit markets has made this type of predatory lending less common, minority consumers continue to have less-than-equal access to loans at the best price and on the best terms that their credit history, income, and other individual financial considerations merit.

#### 1. Legislative Protection

In the past, financial institutions did not always employ fair lending practices. Credit market distortions and other activities such as redlining were prevalent and prevented some groups from having equal access to credit. The Community Reinvestment Act (CRA) in 1977 and the subsequent Home Mortgage Disclosure Act (HMDA) were designed to improve access to credit for all members of the community and hold the lender industry responsible for community lending.

#### Community Reinvestment Act and Home Mortgage Disclosure Act

The CRA is intended to encourage regulated financial institutions to help meet the credit needs of their entire communities, including lower and moderate income neighborhoods. Depending on the type of institution and total assets, a lender may be examined by different supervising agencies for its CRA performance.

CRA ratings are provided by the Federal Reserve Board (FRB), Federal Financial Institutions Examination Council (FFIEC), Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). However, the CRA rating is an overall rating for an institution and does not provide insights regarding the lending performance at specific locations by the institution.

### Home Mortgage Disclosure Act

In tandem with the CRA, the 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.

HMDA data provide some insight into the lending patterns that exist in a community. However, HMDA data are only an indicator of potential problems; the data cannot be used to conclude definite redlining or discrimination practices due to the lack of detailed information on loan terms or specific reasons for denial. Through the fair housing service providers, participating jurisdictions should continue to monitor the approval rates among racial/ethnic and income groups and continue to take appropriate actions to remove barriers to financing.

### Conventional versus Government-Backed Financing

Conventional financing involves market-rate loans provided by private lending institutions such as banks, mortgage companies, savings and loans, and thrift institutions. To assist lower and moderate income households that may have difficulty in obtaining home mortgage financing in the private market, due to income and equity issues, several government agencies offer loan products that have below market rate interests and are insured (“backed”) by the agencies. Sources of government-backed financing include loans insured by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and the Rural Housing Services/Farm Service Agency (RHA/FSA). Often, government-backed loans are offered to the consumers through private lending institutions. Local programs such as first-time homebuyer and rehabilitation programs are not subject to HMDA reporting requirements.

Typically, lower income households have a much better chance of getting a government-assisted loan than a conventional loan. However, the recent lending market offered subprime loan options such as zero percent down, interest-only, and adjustable loans. As a result, government-backed loans were a less attractive option for many households.

With the current difficulties in the subprime housing market, many households were facing or experienced foreclosure. In response, the federal government in September 2007 created a government-insured foreclosure avoidance initiative, FHASecure, to assist tens of thousands of borrowers nationwide in refinancing their subprime home loans. As government-backed loans are again publicized and subprime loans are less of an option to borrowers, the increased use of government-backed loan applications is likely to increase. Expanded marketing by local lenders to assist potential homeowners in understanding the requirements and benefits of these loans may be necessary to promote the use of government-backed loans.



## Financial Stability Act

The Financial Stability Act of 2009 established the Making Home Affordable Program, which assists eligible homeowners who can no longer afford their home with mortgage loan modifications and other options, including short sale or deed-in-lieu of foreclosure. The program is targeted toward homeowners facing foreclosure and homeowners who are unemployed or “underwater” (i.e., homeowners who owe more on their mortgage than their home is worth). The Making Home Affordable Program includes several options for homeowners in need of assistance:

- The Home Affordable Modification Program (HAMP) reduces a homeowner’s monthly mortgage payment to 31 percent of their verified gross (pre-tax) income to make their payments more affordable.
- The Second Lien Modification Program (2MP) offers homeowners a way to lower payments on their second mortgage.
- The Home Affordable Refinance Program (HARP) assists homeowners whose mortgages are current and held by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) refinance into a more affordable mortgage.
- An Unemployment Program provides eligible homeowners a forbearance period during which their monthly mortgage payments are reduced or suspended while they seek re-employment. The minimum forbearance period is three months, although a mortgage servicer may extend the term depending on applicable investor and regulatory guidelines.
- The Principal Reduction Program offers homeowners who are underwater the opportunity to earn principal reductions over a three-year period by successfully making payments in accordance with their modified loan terms.
- For homeowners who can no longer afford their homes, but do not want to go into foreclosure, the Home Affordable Foreclosure Alternatives Program (HAFA) offers homeowners, their mortgage servicers, and investors incentives for completing a short sale or deed-in-lieu of foreclosure. HAFA enables homeowners to transition to more affordable housing while being released from their mortgage debt. The program also includes a “cash for keys” component whereby a homeowner receives financial assistance to help with relocation costs in return for vacating their property in good condition.

## Helping Families Save Their Homes Act

The Helping Families Save Their Homes Act was passed by Congress in May 2009 and expands the Making Home Affordable Program. This Act includes provisions to make mortgage assistance and foreclosure prevention services more accessible to homeowners and increases protections for renters living in foreclosed homes. It also establishes the right of a homeowner to know who owns their mortgage and provides over two billion dollars in funds to address homelessness.

The Act targets underwater borrowers by easing restrictions on refinance and requiring principal write-downs to help these homeowners increase the equity in their homes. The new law also provides federally guaranteed Rural Housing loans and FHA loans as part of the Making Homes Affordable Program. In addition to expanding the Making Homes Affordable Program, the Act extends the temporary increase in deposit insurance, increases the borrowing authority of the FDIC and National Credit Union Administration (NCUA), and creates a Stabilization Fund to address problems in the corporate credit union sector.

Under this bill, tenants also have the right to stay in their homes after foreclosure for 90 days or through the term of their lease. Prior to this bill, tenants were only guaranteed 60 days of notice before eviction and any current lease was considered terminated in the event of a foreclosure. This Act extends the 60-day notification period to 90 days and requires banks to honor any existing lease on a property in foreclosure.

### Fraud Enforcement and Recovery Act

The Fraud Enforcement and Recovery Act (FERA) enhances the criminal enforcement of federal fraud laws by strengthening the capacity of federal prosecutors and regulators to hold accountable those who have committed fraud. FERA amends the definition of a financial institution to include private mortgage brokers and non-bank lenders that are not directly regulated or insured by the federal government, making them liable under federal bank fraud criminal statutes. The new law also makes it illegal to make a materially false statement or to willfully overvalue a property in order to manipulate the mortgage lending business. In addition, FERA includes provisions to protect funds expended under TARP and the Recovery Act and amends the Federal securities statutes to cover fraud schemes involving commodity futures and options. Additional funds were also made available under FERA to a number of enforcement agencies in order to investigate and prosecute fraud.

## B. Overall Lending Patterns

### 1. Data and Methodology

The availability of financing affects a person's ability to purchase or improve a home. Under the HMDA, lending institutions are required to disclose information on the disposition of loan applications by the income, gender, and race of the applicants. This applies to all loan applications for home purchases, improvements, and refinancing, whether financed at market rate or with government assistance.

HMDA data are submitted by lending institutions to the FFIEC. Certain data is available to the public via the FFIEC site either in raw data format or as pre-set printed reports. The analyses of HMDA data presented in this AI were conducted using Lending Patterns<sup>TM</sup>. Lending Patterns is a web-based data exploration tool that analyzes lending records to produce reports on various aspects of mortgage lending. It analyzes HMDA data to assess market share, approval rates, denial rates, low/moderate income lending, and high-cost lending, among other aspects.

For this AI report, the HMDA data for the Urban County was estimated by collecting information by census tract and aggregating this data to the area that generally approximates the boundaries of a

specific jurisdiction (i.e. CDPs, balance of unincorporated Monterey County—not including associated CDPs, unincorporated Monterey County—including associated CDPs, the City of Del Rey Oaks, and the City of Gonzales). Utilizing Lending Patterns, this AI reviews fair lending statistics (such as spread disparities and denial disparities) by race/ethnicity, by lender, and in Low and Moderate Income Areas, as well as in minority concentration areas.

Table 35 summarizes the disposition of loan applications submitted to financial institutions in 2011 (the most recent HMDA data available) for home purchase, refinance, and home improvement loans in the Urban County. Included is information on loan applications that were approved and originated, approved but not accepted by the applicant, denied, withdrawn by the applicant, or incomplete.

Approval rates in the Urban County varied dramatically by community in 2011 and ranged from 48 percent in the San Ardo CDP to 73 percent in the City of Del Rey Oaks. Countywide, approximately two-thirds (66 percent) of all loan applications were approved and 18 percent were denied. About 16 percent of applications were withdrawn or closed for incompleteness.

<b>Table 35: Disposition of Home Loans (2011)</b>				
<b>Loan Type</b>	<b>Total Applicants</b>	<b>Percent Approved</b>	<b>Percent Denied</b>	<b>Percent Other</b>
<b>Aromas</b>				
Government-Backed Purchase	30	66.7%	23.3%	10.0%
Conventional Purchase	24	66.7%	20.8%	12.5%
Refinance	84	53.6%	26.2%	20.2%
Home Improvement	--	--	--	--
<b>Total</b>	<b>138</b>	<b>58.7%</b>	<b>24.6%</b>	<b>16.7%</b>
<b>Boronda</b>				
Government-Backed Purchase	66	66.7%	15.2%	18.2%
Conventional Purchase	57	66.7%	15.8%	17.5%
Refinance	143	58.0%	23.1%	18.9%
Home Improvement	1	0.0%	100.0%	0.0%
<b>Total</b>	<b>267</b>	<b>61.8%</b>	<b>19.9%</b>	<b>18.4%</b>
<b>Carmel Valley Village</b>				
Government-Backed Purchase	16	62.5%	25.0%	12.5%
Conventional Purchase	87	79.3%	4.6%	16.1%
Refinance	319	64.3%	20.7%	15.0%
Home Improvement	10	50.0%	30.0%	20.0%
<b>Total</b>	<b>432</b>	<b>66.9%</b>	<b>17.8%</b>	<b>15.3%</b>

**Table 35: Disposition of Home Loans (2011)**

Loan Type	Total Applicants	Percent Approved	Percent Denied	Percent Other
<b>Castroville</b>				
Government-Backed Purchase	29	75.9%	17.2%	6.9%
Conventional Purchase	17	64.7%	23.5%	11.8%
Refinance	43	44.2%	30.2%	25.6%
Home Improvement	5	0.0%	80.0%	20.0%
<b>Total</b>	<b>94</b>	<b>55.3%</b>	<b>27.7%</b>	<b>17.0%</b>
<b>Chualar</b>				
Government-Backed Purchase	2	100.0%	0.0%	0.0%
Conventional Purchase	--	--	--	--
Refinance	6	33.3%	66.7%	0.0%
Home Improvement	--	--	--	--
<b>Total</b>	<b>8</b>	<b>50.0%</b>	<b>50.0%</b>	<b>0.0%</b>
<b>Del Monte Forest</b>				
Government-Backed Purchase	14	78.6%	14.3%	7.1%
Conventional Purchase	142	66.9%	13.4%	19.7%
Refinance	609	67.8%	16.9%	15.3%
Home Improvement	17	64.7%	17.6%	17.6%
<b>Total</b>	<b>782</b>	<b>67.8%</b>	<b>16.2%</b>	<b>16.0%</b>
<b>Elkhorn</b>				
Government-Backed Purchase	56	67.9%	19.6%	12.5%
Conventional Purchase	50	72.0%	16.0%	12.0%
Refinance	246	62.6%	18.3%	19.1%
Home Improvement	8	50.0%	37.5%	12.5%
<b>Total</b>	<b>360</b>	<b>64.4%</b>	<b>18.6%</b>	<b>16.9%</b>
<b>Las Lomas</b>				
Government-Backed Purchase	30	60.0%	23.3%	16.7%
Conventional Purchase	18	50.0%	33.3%	16.7%
Refinance	61	54.1%	16.4%	29.5%
Home Improvement	1	0.0%	100.0%	0.0%
<b>Total</b>	<b>110</b>	<b>54.5%</b>	<b>21.8%</b>	<b>23.6%</b>
<b>Moss Landing</b>				
Government-Backed Purchase	31	61.3%	22.6%	16.1%
Conventional Purchase	21	57.1%	28.6%	14.3%
Refinance	64	53.1%	18.8%	28.1%
Home Improvement	1	0.0%	100.0%	0.0%
<b>Total</b>	<b>117</b>	<b>55.6%</b>	<b>22.2%</b>	<b>22.2%</b>

**Table 35: Disposition of Home Loans (2011)**

Loan Type	Total Applicants	Percent Approved	Percent Denied	Percent Other
<b>Pajaro</b>				
Government-Backed Purchase	1	0.0%	0.0%	100.0%
Conventional Purchase	14	64.3%	21.4%	14.3%
Refinance	11	0.0%	36.4%	18.2%
Home Improvement	--	--	--	--
<b>Total</b>	<b>26</b>	<b>53.8%</b>	<b>26.9%</b>	<b>19.2%</b>
<b>Prunedale</b>				
Government-Backed Purchase	136	68.4%	19.9%	11.8%
Conventional Purchase	137	68.6%	16.8%	14.6%
Refinance	580	61.6%	17.9%	20.5%
Home Improvement	24	29.2%	45.8%	25.0%
<b>Total</b>	<b>877</b>	<b>62.8%</b>	<b>18.8%</b>	<b>18.4%</b>
<b>San Ardo</b>				
Government-Backed Purchase	11	54.5%	36.4%	9.1%
Conventional Purchase	14	50.0%	21.4%	28.6%
Refinance	64	48.4%	29.7%	21.9%
Home Improvement	4	25.0%	50.0%	25.0%
<b>Total</b>	<b>93</b>	<b>48.4%</b>	<b>30.1%</b>	<b>21.5%</b>
<b>San Lucas</b>				
Government-Backed Purchase	61	72.1%	14.8%	13.1%
Conventional Purchase	39	74.4%	12.8%	12.8%
Refinance	103	56.3%	27.2%	16.5%
Home Improvement	9	55.6%	33.3%	11.1%
<b>Total</b>	<b>212</b>	<b>64.2%</b>	<b>21.2%</b>	<b>14.6%</b>
<b>Spreckels</b>				
Government-Backed Purchase	91	78.0%	11.0%	11.0%
Conventional Purchase	38	71.1%	21.1%	7.9%
Refinance	85	55.3%	18.8%	25.9%
Home Improvement	2	0.0%	0.0%	100.0%
<b>Total</b>	<b>216</b>	<b>67.1%</b>	<b>15.7%</b>	<b>17.1%</b>
<b>Del Rey Oaks</b>				
Government-Backed Purchase	6	100.00%	0.00%	0.00%
Conventional Purchase	13	84.62%	7.69%	7.69%
Refinance	51	64.71%	15.69%	19.61%
Home Improvement	3	100.00%	0.00%	0.00%
<b>Total</b>	<b>73</b>	<b>72.60%</b>	<b>12.33%</b>	<b>15.07%</b>

**Table 35: Disposition of Home Loans (2011)**

Loan Type	Total Applicants	Percent Approved	Percent Denied	Percent Other
<b>Gonzales</b>				
Government-Backed Purchase	62	61.29%	20.97%	17.74%
Conventional Purchase	27	74.07%	18.52%	7.41%
Refinance	84	52.38%	25.00%	22.62%
Home Improvement	1	100.00%	0.00%	0.00%
<b>Total</b>	<b>174</b>	<b>59.20%</b>	<b>22.41%</b>	<b>18.39%</b>
<b>Balance of Unincorporated County</b>				
Government-Backed Purchase	118	67.8%	11.9%	20.3%
Conventional Purchase	345	70.7%	11.9%	17.4%
Refinance	1,354	64.8%	19.1%	16.2%
Home Improvement	121	42.1%	49.6%	8.3%
<b>Total</b>	<b>1,938</b>	<b>64.6%</b>	<b>19.2%</b>	<b>16.2%</b>
<b>Monterey County</b>				
Government-Backed Purchase	2,025	71.9%	14.8%	13.4%
Conventional Purchase	2,308	73.0%	12.3%	14.7%
Refinance	7,790	63.7%	19.4%	16.8%
Home Improvement	354	46.3%	37.3%	16.4%
<b>Total</b>	<b>12,477</b>	<b>66.3%</b>	<b>17.8%</b>	<b>15.9%</b>

Source: www.lendingpatterns.com, 2012.

## 2. Home Purchase Loans

Lending activity in recent years has been fairly slow, especially when compared to activity during the previous decade. This slow down can be attributed to the lack of activity in the housing market in general. Typically, two types of home purchase loans are tracked—conventional home purchase loans and government-backed home purchase loans. In a conventional loan, the lender takes on the risk of losing money in the event a borrower defaults on a mortgage. For government-backed loans, the loan is insured, either completely or partially, by the government. The government does not provide the loan itself, but instead promises to repay some or all of the money in the event a borrower defaults. This reduces the risk for the lender when making a loan.

Lending activity in Del Rey Oaks and Gonzales during 2011 was limited. Just 13 households applied for conventional loans to purchase homes in Del Rey Oaks and 27 households in Gonzales submitted applications. In Monterey County as a whole, 2,308 households applied for conventional home loans; 345 of these applications were from residents in the unincorporated County.

In Del Rey Oaks, approximately 85 percent of applications for conventional home purchase loans were approved in 2011 and only eight percent of applications were denied. About 74 percent of conventional home purchase loan applications in Gonzales were approved during this time period and 19 percent were denied. Approval rates for the County as a whole for conventional loans (73 percent) were lower than for Del Rey Oaks and similar to Gonzales.

Government-backed loans have more lenient credit score requirements, lower downpayment requirements, and are available to those with recent bankruptcies. However, these loans may also carry higher interest rates and most require homebuyers to purchase mortgage insurance. Furthermore, government-backed loans have strict limits on the amount a homebuyer can borrow for the purchase of a home. In competitive and high-end housing markets, many of the homes available for purchase exceed the maximum allowable loan amount, making government-backed loans much less popular. The relatively lower cost housing markets in Gonzales and the unincorporated County have made government-backed loans a feasible and practical option for homebuyers in those communities. The City of Del Rey Oaks, however, with its higher priced housing market, had far fewer applications for government-backed loans—just six during all of 2011.

In Gonzales, the number of applications for government-backed home purchase loans considerably surpassed the number of applications for conventional home purchase loans in 2011. Approximately 62 applications for government-backed loans (for example, FHA, VA) were submitted in Gonzales. About 61 percent of these applications were approved, slightly less than the approval rate for conventional home purchase loans, and 21 percent were denied. All six government-backed loan applications submitted in Del Rey Oaks were approved. In 2011, applications for government-backed loans represented over one-third of applications submitted in Gonzales; applications for government-backed loans comprised only eight percent of applications in Del Rey Oaks.

The County overall had a total of 2,025 applications for government-backed home purchased loans, 72 percent of which were approved. In 2011, government-backed purchase loan applications comprised 16 percent of all loan applications in the County. Within the unincorporated County, the community of Prunedale had the most number of loan applications for home purchase, evenly split between government-backed and conventional home loans and similar approval rate at 68 percent.

### 3. Home Improvement Loans

Reinvestment in the form of home improvement is critical to maintaining the supply of safe and adequate housing. Historically, home improvement loan applications have a higher rate of denial when compared to home purchase loans. Part of the reason is that an applicant's debt-to-income ratio may exceed underwriting guidelines when the first mortgage is considered with consumer credit balances. Another reason is that many lenders use the home improvement category to report both second mortgages and equity-based lines of credit, even if the applicant's intent is to do something other than improve the home (e.g., pay for a wedding or college). Loans that will not be used to improve the home are viewed less favorably since the owner is divesting in the property by withdrawing accumulated wealth. From a lender's point of view, the reduction in owner's equity represents a higher risk.

In 2011, only three applications for home improvement loans were submitted in Del Rey Oaks and just one application was submitted in Gonzales. All four applications were approved. Applications for home improvement loans in the County as a whole were minimal (354 applications). Approval rates for the loans were comparatively low at 47 percent for the County. Denial rates were also highest for these loans, compared to all other loan types. In the County, 37 percent of home improvement loan applications were denied, compared to 18 percent for all other loan types.



Within the unincorporated County, the community of Prunedale had the highest number of loan applications for home improvement. However, loan approval rate was only at 29 percent.

#### 4. Refinancing

Homebuyers will often refinance existing home loans for a number of reasons. Refinancing can allow homebuyers to take advantage of better interest rates, consolidate multiple debts into one loan, reduce monthly payments, alter risk (i.e. by switching from variable rate to fixed rate loans), or free up cash and capital.

In Del Rey Oaks and Gonzales, during 2011, more applications for home refinance were submitted than for any other loan type (51 applications in Del Rey Oaks and 84 applications in Gonzales). About 65 percent of these applications were approved in Del Rey Oaks, while 16 percent were denied. In Gonzales, 52 percent of refinance applications were approved and 25 percent were denied. In Monterey County, refinance loans accounted for 62 percent of all loan applications (7,790 applications) in 2011. Approval rates in Del Rey Oaks were on par with the overall average for the County (64 percent); however, approval rates for refinance loans in Gonzales were considerably lower. In Prunedale, the approval rate for refinancing was at 62 percent.

Refinance lending throughout the State was even more active prior to 2007. When the housing market peaked in 2006, many households purchased homes using adjustable rate loans and loans with low interest rates for only a short term. As interest rates for these adjustable rate loans increased and short-term low-interest loans expired, many households sought refinancing. With the bursting of the “housing bubble” in 2006, many households were faced with high housing payments and declining home values. Refinancing during this time, however, became far more difficult than these homeowners were led to believe when they initially purchased their homes.

Since 2008, financial institutions have established much stricter requirements for mortgage refinancing, making it harder for homeowners to qualify for a refinance loan. Even homeowners who have excellent credit and a low debt-to-income ratio face obstacles to refinancing, such as a lack of home equity. Some homeowners have little or no equity because they bought their property with minimal down payments; alternatively, many homeowners who had equity have watched it erode in recent years because of decreasing home values. As a result, fewer households today are able to qualify for home refinancing. In response to this situation, federal legislation was passed that required lenders to work with homeowners to pursue loan modifications.

### C. Lending Patterns by Race/Ethnicity and Income Level

The federal Fair Housing Act prohibits discrimination in mortgage lending based on race, color, national origin, religion, sex, familial status or handicap (disability). It is, therefore, important to look not just at overall approval and denial rates for a jurisdiction, but also whether or not these rates vary by other factors, such as race/ethnicity.

The applicant pool for mortgage lending should be reflective of the demographics of a municipality. When one racial/ethnic group is overrepresented or underrepresented in the total applicant pool, it could be an indicator of a possible fair housing issue. Such a finding may be a sign that access to

mortgage lending is not equal for all individuals. As shown in Table 36, White applicants were overrepresented in the applicant pools for all three jurisdictions in the Urban County.

<b>Table 36: Demographics of Loan Applicants vs. Total Population (2011)</b>			
	<b>Percent of Applicant Pool</b>	<b>Percent of Total Population</b>	<b>Variation</b>
<b>Del Rey Oaks</b>			
White	93.4%	72.6%	+20.8%
Black	0.0%	0.8%	-0.8%
Hispanic	3.3%	10.4%	-7.1%
Asian	3.3%	8.0%	-4.7%
<b>Gonzales</b>			
White	23.4%	7.9%	+15.5%
Black	0.0%	0.3%	-0.3%
Hispanic	75.2%	88.9%	-13.7%
Asian	1.4%	1.7%	-0.3%
<b>Unincorporated County</b>			
White	67.0%	52.6%	+14.4%
Black	1.4%	0.9%	-0.5%
Hispanic	23.8%	39.7%	-15.9%
Asian	7.8%	4.0%	-3.8%

Source: www.lendingpatterns.com, 2012.

In addition to looking at whether access to lending is equal, it is important to analyze lending outcomes for any signs of potential discrimination by race/ethnicity. As discussed above, approval rates for loans generally increased as household income increased; however, lending outcomes should not vary significantly by race/ethnicity among applicants of the same income level.

Table 37 below summarizes lending outcomes by race/ethnicity and income in Del Rey Oaks. During 2011, the majority of loan applicants in the City were White (93 percent). In general, approval rates increased, and the proportion of withdrawn and incomplete applications decreased, as the income of White applicants increased. Because no Black and so few Hispanic and Asian households applied for loans in the City, an analysis of lending outcomes for these households could be misleading.

<b>Table 37: Lending Patterns by Race/Ethnicity for Del Rey Oaks (2011)</b>			
	<b>Approved</b>	<b>Denied</b>	<b>Withdrawn/ Incomplete</b>
<b>White</b>			
Low (0-49% AMI)	20.0%	60.0%	20.0%
Moderate (50-79% AMI)	85.7%	0.0%	14.3%
Middle (80-119% AMI)	88.9%	11.1%	0.0%
Upper (≥120% AMI)	77.4%	9.7%	12.9%
<b>Black</b>			
Low (0-49% AMI)	--	--	--
Moderate (50-79% AMI)	--	--	--
Middle (80-119% AMI)	--	--	--
Upper (≥120% AMI)	--	--	--
<b>Hispanic</b>			
Low (0-49% AMI)	100.0%	0.0%	0.0%
Moderate (50-79% AMI)	--	--	--
Middle (80-119% AMI)	--	--	--
Upper (≥120% AMI)	100.0%	0.0%	0.0%
<b>Asian</b>			
Low (0-49% AMI)	--	--	--
Moderate (50-79% AMI)	--	--	--
Middle (80-119% AMI)	100.0%	0.0%	0.0%
Upper (≥120% AMI)	--	--	--

Source: www.lendingpatterns.com, 2012.

Table 38 below summarizes lending outcomes by race/ethnicity and income in Gonzales. During 2011, the majority of loan applicants in the City were Hispanic (75 percent). White applicants in Gonzales generally had the highest approval rates. Among Hispanic households, approval rates generally increased as the income of the applicants increased, however, denial rates were high among all income categories, especially lower income. Because no Black and few Asian households applied for loans in the City, an analysis of lending outcomes for these households could be misleading.

<b>Table 38: Lending Patterns by Race/Ethnicity for Gonzales (2011)</b>			
	<b>Approved</b>	<b>Denied</b>	<b>Withdrawn/ Incomplete</b>
<b>White</b>			
Low (0-49% AMI)	100.0%	0.0%	0.0%
Moderate (50-79% AMI)	33.3%	16.7%	50.0%
Middle (80-119% AMI)	80.0%	20.0%	0.0%
Upper (≥120% AMI)	53.3%	20.0%	26.7%
<b>Black</b>			
Low (0-49% AMI)	--	--	--
Moderate (50-79% AMI)	--	--	--
Middle (80-119% AMI)	--	--	--
Upper (≥120% AMI)	--	--	--
<b>Hispanic</b>			
Low (0-49% AMI)	40.0%	46.7%	13.3%
Moderate (50-79% AMI)	65.1%	16.3%	18.6%
Middle (80-119% AMI)	69.0%	17.2%	13.8%
Upper (≥120% AMI)	58.3%	25.0%	16.7%
<b>Asian</b>			
Low (0-49% AMI)	0.0%	100.0%	0.0%
Moderate (50-79% AMI)	--	--	--
Middle (80-119% AMI)	100.0%	0.0%	0.0%
Upper (≥120% AMI)	--	--	--

Source: www.lendingpatterns.com, 2012.

Table 39 below summarizes lending outcomes by race/ethnicity and income in the unincorporated County. During 2011, the majority of loan applicants in the unincorporated County were White (67 percent) and approval rates generally increased as household income increased. However, Black applicants, at nearly all income levels, consistently received the lowest approval rates and highest denial rates of all racial/ethnic groups. The rate of applications withdrawn and closed for incompleteness was fairly consistent across all race/ethnicity groups and income levels.

<b>Table 39: Lending Patterns by Race/Ethnicity for Unincorporated Monterey County (2011)</b>			
	<b>Approved</b>	<b>Denied</b>	<b>Withdrawn/ Incomplete</b>
<b>White</b>			
Low (0-49% AMI)	50.8%	35.8%	13.5%
Moderate (50-79% AMI)	65.6%	20.9%	13.4%
Middle (80-119% AMI)	67.9%	17.1%	15.0%
Upper (≥120% AMI)	70.5%	14.3%	15.2%
<b>Black</b>			
Low (0-49% AMI)	37.5%	62.5%	0.0%
Moderate (50-79% AMI)	50.0%	44.4%	5.6%
Middle (80-119% AMI)	64.0%	24.0%	12.0%
Upper (≥120% AMI)	63.9%	11.1%	25.0%
<b>Hispanic</b>			
Low (0-49% AMI)	58.6%	26.3%	15.1%
Moderate (50-79% AMI)	67.2%	17.0%	15.8%
Middle (80-119% AMI)	70.4%	17.1%	12.6%
Upper (≥120% AMI)	66.0%	19.5%	14.5%
<b>Asian</b>			
Low (0-49% AMI)	48.0%	36.0%	16.0%
Moderate (50-79% AMI)	58.2%	25.3%	16.5%
Middle (80-119% AMI)	70.3%	14.1%	15.6%
Upper (≥120% AMI)	68.2%	13.9%	17.9%

Source: www.lendingpatterns.com, 2012.

While this analysis provides a more in-depth look at lending patterns, it does not conclusively explain any of the discrepancies observed. Aside from income, many other factors can contribute to the availability of financing, including credit history, the availability and amount of a down payment, and knowledge of the home buying process. HMDA data does not provide insight into these other factors.

## D. Lending Patterns by Census Tract Characteristics

### 1. Income Level

To identify potential geographic differences in mortgage lending activities, an analysis of the HMDA data was conducted by census tract. Based on the Census, HMDA classifies census tracts by the following income levels:<sup>6</sup>

- Low Income Tract – Tract Median Income ≤ 49 percent AMI
- Moderate Income Tract – Tract Median Income between 50 and 79 percent AMI

<sup>6</sup> These income definitions are different from those used by HUD to determine Low and Moderate Income Areas.

- Middle Income Tract – Tract Median Income between 80 and 119 percent AMI
- Upper Income Tract – Tract Median Income  $\geq$ 120 percent AMI

Table 40 summarizes the loan approval and denial rates of census tracts in Del Rey Oaks, Gonzales, and the unincorporated County by income level in 2011. As shown, none of the census tracts within the aforementioned three jurisdictions were categorized as Lower Income by HMDA. Because of the fairly small size of Del Rey Oaks and Gonzales, each city only encompassed a single census tract and a comparison of tracts at different income levels is not possible. In the unincorporated County, home loan approval rates increased slightly as the income level of the census tract increased. Higher income households are more likely to qualify for and be approved for loans so this trend is to be expected. Correspondingly, denial rates decreased as the income level of the census tract increased.

<b>Table 40: Outcomes Based on Census Tract Income (2011)</b>								
<b>Tract Income Level</b>	<b>Total Applicants</b>		<b>Approved</b>		<b>Denied</b>		<b>Other</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Del Rey Oaks</b>								
Low	--	--	--	--	--	--	--	--
Moderate	--	--	--	--	--	--	--	--
Middle	--	--	--	--	--	--	--	--
Upper	73	100.0%	53	72.6%	9	12.3%	11	15.1%
<b>Total</b>	<b>73</b>	<b>100.0%</b>	<b>53</b>	<b>72.6%</b>	<b>9</b>	<b>12.3%</b>	<b>11</b>	<b>15.1%</b>
<b>Gonzales</b>								
Low	--	--	--	--	--	--	--	--
Moderate	--	--	--	--	--	--	--	--
Middle	174	100.0%	103	59.2%	39	22.4%	32	18.4%
Upper	--	--	--	--	--	--	--	--
<b>Total</b>	<b>174</b>	<b>100.0%</b>	<b>103</b>	<b>59.2%</b>	<b>39</b>	<b>22.4%</b>	<b>32</b>	<b>18.4%</b>
<b>Unincorporated Monterey County</b>								
Low	--	--	--	--	--	--	--	--
Moderate	824	8.8%	514	62.4%	173	21.0%	137	16.6%
Middle	3,832	41.0%	2,519	65.7%	708	18.5%	605	15.8%
Upper	4,697	50.2%	3,180	67.7%	759	16.2%	758	16.1%
<b>Total</b>	<b>9,353</b>	<b>100.0%</b>	<b>6,213</b>	<b>66.4%</b>	<b>1,640</b>	<b>17.5%</b>	<b>1,500</b>	<b>16.0%</b>

Source: www.lendingpatterns.com, 2012.

## 2. Minority Population

HMDA also documents the proportion of minority persons within each census tract. As discussed above, the cities of Del Rey Oaks and Gonzales each only encompassed a single census tract and a comparison of tracts with different concentrations of minorities is not possible. In the unincorporated County, the most applications were submitted in census tracts where zero to 20 percent of residents were considered minorities (38 percent). A substantial number of applications (21 percent) were also submitted in census tracts where minorities comprised 60 to 80 percent of the

total population. Table 41 summarizes the approval and denial rates of census tracts by minority population during 2011. Generally, approval and denial rates were consistent across all census tracts, regardless of the tract's concentration of minority residents.

<b>Table 41: Outcomes Based on Minority Population of Census Tract (2011)</b>								
	<b>Total Applicants</b>		<b>Approved</b>		<b>Denied</b>		<b>Other</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Del Rey Oaks</b>								
0-19% Minority	73	100.0%	53	72.6%	9	12.3%	11	15.1%
20-39% Minority	--	--	--	--	--	--	--	--
40-59% Minority	--	--	--	--	--	--	--	--
60-79% Minority	--	--	--	--	--	--	--	--
80-100% Minority	--	--	--	--	--	--	--	--
<b>Total</b>	73	100.0%	53	72.6%	9	12.3%	11	15.1%
<b>Gonzales</b>								
0-19% Minority	--	--	--	--	--	--	--	--
20-39% Minority	--	--	--	--	--	--	--	--
40-59% Minority	--	--	--	--	--	--	--	--
60-79% Minority	--	--	--	--	--	--	--	--
80-100% Minority	174	100.0%	103	59.2%	39	22.4%	32	18.4%
<b>Total</b>	174	100.0%	103	59.2%	39	22.4%	32	18.4%
<b>Unincorporated Monterey County</b>								
0-19% Minority	3,532	37.8%	2,406	68.1%	559	15.8%	567	16.1%
20-39% Minority	1,420	15.2%	922	64.9%	236	16.6%	262	18.5%
40-59% Minority	955	10.2%	609	63.8%	210	22.0%	136	14.2%
60-79% Minority	1,936	20.7%	1,303	67.3%	327	16.9%	306	15.8%
80-100% Minority	1,510	16.1%	973	64.4%	308	20.4%	229	15.2%
<b>Total</b>	9,353	100.0%	6,213	66.4%	1,640	17.5%	1,500	16.0%

Source: www.lendingpatterns.com, 2012.

## E. Major Lenders

Table 42 summarizes the top lenders in Del Rey Oaks, Gonzales and the unincorporated County during 2011, as well as their underwriting outcomes. As expected, several major institutions were identified as top lenders in all three jurisdictions, including Bank of America, JP Morgan Chase, and Wells Fargo. WJ Bradley Mortgage Capital, a privately held independent national mortgage lending firm, was also a top lender in the region.

Top lenders in the City of Del Rey Oaks received approximately 75 percent of all lending applications in 2011. Among these lenders, Wells Fargo and JP Morgan Chase received the most applications—about 43 percent of the total market share in the City. Wells Fargo's approval rate for loans was approximately 85 percent and significantly higher than the overall approval rate for all



lenders (73 percent); approval rates for JP Morgan Chase were equal to that of the overall rate for all lenders. Because of the small pool of applications submitted to the City’s other top lenders, an analysis of their approval and denial rates will not be useful.

In the City of Gonzales, top lenders received approximately 73 percent of all loan applications in 2011. Among these lenders, Bank of America, Wells Fargo and Stearns Lending, Inc., received the most applications—about 43 percent of the market share in the City. Bank of America’s approval rate for loans (32 percent) was substantially lower than the overall approval rate for all lenders (59 percent), while Wells Fargo had an approval rate nearly equal to that of the overall approval rate (58 percent). Several top lenders in the City had significantly higher approval rates than the overall average for all lenders, including Stearns Lending, Inc., JP Morgan Chase, WJ Bradley Mortgage Capital, and Mason McDuffie Mortgage Corp. All of these institutions had approval rates greater than 77 percent in 2011, 18 percentage points higher than the overall approval rate for all lenders (59 percent).

Top lenders in the unincorporated County accounted for approximately 56 percent of all loan applications in 2011, with the top three lenders—Wells Fargo, JP Morgan Chase, and Bank of America—representing 38 percent of the total market share. Over half of the top ten lenders had approval rates higher than the overall approval rate for all lenders. Specifically, Stearns Lending, Inc., WJ Bradley Mortgage Capital, RMR Financial, Inc., and RPM Mortgage, Inc. all had approval rates greater than 80 percent—about 15 points higher than the overall approval rate for all lenders (66 percent).

While high approval rates do not necessarily indicate wrongdoing by a specific institution, they can be a sign of aggressive lending practices on the part of the lender. In particular, smaller, less prominent financial institutions with significantly high approval rates may be a concern. However, because these institutions captured a much smaller share of loan applications than Bank of America and Wells Fargo, this discrepancy may not be significant.

<b>Table 42: Top Lenders (2011)</b>				
	<b>Overall Market Share</b>	<b>Approved</b>	<b>Denied</b>	<b>Withdrawn or Closed</b>
<b>Del Rey Oaks</b>				
Wells Fargo Bank	27.4%	85.0%	0.0%	15.0%
JP Morgan Chase Bank	15.1%	72.7%	27.3%	0.0%
Summit Funding, Inc.	5.5%	100.0%	0.0%	0.0%
Ally Bank	5.5%	50.0%	50.0%	0.0%
Land Home Financial Services	4.1%	33.3%	66.7%	0.0%
RMR Financial, Inc.	4.1%	66.7%	0.0%	33.3%
Bank of America	4.1%	66.7%	33.3%	0.0%
Flagstar Bank	4.1%	100.0%	0.0%	0.0%
WJ Bradley Mortgage Capital	2.7%	100.0%	0.0%	0.0%
American Pacific Mortgage Corp.	2.7%	100.0%	0.0%	0.0%
<b>All Lenders</b>	<b>100.0%</b>	<b>72.6%</b>	<b>12.3%</b>	<b>15.1%</b>

<b>Table 42: Top Lenders (2011)</b>				
	<b>Overall Market Share</b>	<b>Approved</b>	<b>Denied</b>	<b>Withdrawn or Closed</b>
<b>Gonzales</b>				
Bank of America	17.8%	32.3%	32.3%	35.5%
Wells Fargo Bank	14.9%	57.7%	34.6%	7.7%
Stearns Lending, Inc.	10.3%	88.9%	0.0%	11.1%
JP Morgan Chase Bank	9.8%	76.5%	23.5%	0.0%
WJ Bradley Mortgage Capital	6.3%	90.9%	9.1%	0.0%
Prospect Mortgage, LLC	4.0%	42.9%	14.3%	42.9%
Mason McDuffie Mortgage Corp.	4.0%	85.7%	14.3%	0.0%
Fremont Bank	2.3%	25.0%	25.0%	50.0%
American Financial Network, Inc.	1.7%	66.7%	0.0%	33.3%
American Pacific Mortgage Corp.	1.7%	66.7%	33.3%	0.0%
<b>All Lenders</b>	<b>100.0%</b>	<b>59.2%</b>	<b>22.4%</b>	<b>18.4%</b>
<b>Unincorporated Monterey County</b>				
Wells Fargo Bank	19.2%	71.0%	15.1%	13.9%
JP Morgan Chase Bank	9.9%	71.4%	24.7%	3.9%
Bank of America	9.4%	58.4%	25.3%	16.3%
Fremont Bank	4.3%	63.5%	8.4%	28.0%
Stearns Lending, Inc.	2.8%	87.6%	7.3%	5.0%
WJ Bradley Mortgage Capital	2.5%	85.2%	5.7%	9.1%
RMR Financial, Inc.	2.4%	81.5%	0.9%	17.6%
Prospect Mortgage, LLC	2.3%	44.3%	12.3%	43.4%
Ally Bank	1.9%	55.7%	26.1%	18.2%
RPM Mortgage, Inc.	1.7%	88.5%	2.6%	9.0%
<b>All Lenders</b>	<b>100.0%</b>	<b>66.4%</b>	<b>17.5%</b>	<b>16.0%</b>

Source: www.lendingpatterns.com, 2012.

Banks highlighted in gray indicate institutions that were identified as top lenders for all three jurisdictions.

Under current banking regulations, lenders are required to hold a given interest rate for a borrower for a period of 60 days. Borrowers, however, are under no obligation to actually follow through on the loan during this time and can withdraw their application. In mortgage lending, fallout refers to a loan application that is withdrawn by the borrower before the loan is finalized. Typically for-profit lenders should have little fallout and none that varies by race, ethnicity or gender. Several top lenders in the Urban County had higher than average rates of withdrawn or incomplete applications in 2011. A significant disparity in fallout could suggest screening, differential processing, HMDA Action misclassification and/or the potential of discouragement of minority applications.

Closed applications refer to applications that are closed by the lender due to incompleteness. In instances where a loan application is incomplete, lenders are required to send written notification to the applicant and request the missing information be turned over within a designated timeframe. If this notice is given and the applicant does not comply within the specified time, the lender can close

the application for incompleteness. A high rate of incomplete loans can indicate a lack of financial literacy on the part of the borrower. Several studies have correlated financial literacy with a borrower's income level. Specifically, lower income individuals have been found to be the least knowledgeable about finance.<sup>7</sup> Insufficient lender assistance during the application process can also lead to high levels of incomplete applications. The lack of lender assistance may be discriminatory in motive or outcome, however, HMDA data cannot be used to prove motive. During 2011, Prospect Mortgage, LLC and Fremont Bank (both smaller, less known financial institutions) had noticeably high rates of withdrawn and closed applications in the Urban County.

Within the Urban County, some financial institutions appeared to be more popular among certain racial/ethnic groups (Table 43). In 2011, Hispanic applicants made up a vast majority of total applicants (70 percent) in the City of Gonzales. Because Hispanics comprised such a large portion of the total applicant pool in the City, it would not be unusual for the clientele of financial institutions serving the City to be mostly Hispanic as well. However, five smaller, less known banks (Mason McDuffie Mortgage Corporation, Carrington Mortgage Services, LLC, American Pacific Mortgage Corporation, Vision One Mortgage, Inc., and Academy Mortgage Corporation) serving Gonzales received lending applications from only Hispanic households in 2011—100 percent of the loan applications submitted to these banks within the City of Gonzales were from Hispanic applicants. Because these five institutions collectively captured less than 15 percent of the total market share in the City, it would be difficult to draw any conclusions about this finding. Very few Black and Asian applicants submitted loan applications in the City and analyzing detailed data on top lenders for these applicants may be misleading.

Like in Gonzales, Hispanic applicants in the unincorporated County were much more likely to favor smaller, less established financial institutions. Hispanics comprised about 21 percent of the total applicant pool for all lenders in the unincorporated County; however, they made up a substantially higher proportion of the applicant pool for several less prominent financial institutions. Specifically, 72 percent of loan applications to Mason McDuffie Mortgage, 66 percent of applications to WJ Bradley Mortgage, and 60 percent of applications to Stearns Lending, Inc. were submitted by Hispanics, indicating a strong preference among Hispanic loan applicants for these smaller banks. Black applicants in the unincorporated County did not seem to prefer any one financial institution over any others, but Asian applicants did appear to prefer Provident Funding Associates over other banks. Approximately 19 percent of all loan applications to Provident Funding Associates from the unincorporated County were submitted by Asian applicants; by comparison, Asian applicants made up only six percent of the total applicant pool for all lenders.

Minority applicants made up a very small proportion of total applicants in Del Rey Oaks; no significant trends can be discerned by analyzing detailed top lender data by race/ethnicity for the City.

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<sup>7</sup> Collins, Michael. 2009. "Education Levels and Mortgage Application Outcomes: Evidence of Financial Literacy." University of Wisconsin-Madison, Department of Consumer Science.

Table 43: Top Lenders by Race/Ethnicity of Applicant (2011)					
Black		Hispanic		Asian	
Lender	% of Total Applicants	Lender	% of Total Applicants	Lender	% of Total Applicants
<b>Del Rey Oaks</b>					
--	--	American Pacific Mortgage Corp.	50.0%	Ally Bank	25.0%
--	--	JP Morgan Chase Bank	9.1%	JP Morgan Chase Bank	9.1%
--	--	--	--	Wells Fargo Bank	5.0%
<b>All Lenders</b>		<b>All Lenders</b>	<b>2.7%</b>	<b>All Lenders</b>	<b>4.1%</b>
<b>Gonzales</b>					
--	--	Mason McDuffie Mortgage Corp.	100.0%	JP Morgan Chase Bank	5.9%
--	--	Carrington Mortgage Services, LLC	100.0%	--	--
--	--	American Pacific Mortgage Corp.	100.0%	--	--
--	--	Vision One Mortgage, Inc.	100.0%	--	--
--	--	Academy Mortgage Corp.	100.0%	--	--
<b>All Lenders</b>		<b>All Lenders</b>	<b>70.1%</b>	<b>All Lenders</b>	<b>1.5%</b>
<b>Unincorporated Monterey County</b>					
Mason McDuffie Mortgage Corp.	3.2%	Mason McDuffie Mortgage Corp.	71.7%	Provident Funding Associates	18.5%
Quicken Loans, Inc.	2.5%	WJ Bradley Mortgage Capital	66.1%	Bank of America	9.0%
Ally Bank	2.3%	Stearns Lending, Inc.	60.2%	Wells Fargo Bank	6.9%
American Pacific Mortgage Corp.	1.7%	American Pacific Mortgage Corp.	43.8%	JP Morgan Chase Bank	5.8%
Prospect Mortgage, LLC	1.4%	Bank of America	31.4%	Ally Bank	5.7%
<b>All Lenders</b>	<b>1.1%</b>	<b>All Lenders</b>	<b>21.2%</b>	<b>All Lenders</b>	<b>6.4%</b>

Source: www.lendingpatterns.com, 2012.

While the correlation between minority applicants and smaller banks does not mean a violation of fair lending laws, it does raise concerns about the equality of access to mortgage financing. Smaller community banks often have more flexibility in their selection process and applicants with less than stellar credit and flawed financial histories may be more successful in securing mortgage financing at these smaller institutions than at larger established banks. Large banks with a strong nationwide presence, however, do have several advantages. They are closely regulated by the federal government and have a wide array of resources available to borrowers. The tendency for certain smaller banks to attract non-White applicants may indicate that access to financing, especially at larger banks, is not equal for applicants of all races/ethnicities.

## F. Subprime Lending

According to the Federal Reserve, “prime” mortgages are offered to persons with excellent credit and employment history and income adequate to support the loan amount. “Subprime” loans are loans to borrowers who have less-than-perfect credit history, poor employment history, or other factors such as limited income. By providing loans to those who do not meet the critical standards for borrowers in the prime market, subprime lending can and does serve a critical role in increasing levels of homeownership. Households that are interested in buying a home but have blemishes in their credit record, insufficient credit history, or non-traditional income sources, may be otherwise unable to purchase a home. The subprime loan market offers these borrowers opportunities to obtain loans that they would be unable to realize in the prime loan market.

Subprime lenders generally offer interest rates that are higher than those in the prime market and often lack the regulatory oversight required for prime lenders because they are not owned by regulated financial institutions. In the recent past, however, many large and well-known banks became involved in the subprime market either through acquisitions of other firms or by initiating subprime loans directly. Though the subprime market usually follows the same guiding principles as the prime market, a number of specific risk factors are associated with this market. According to a joint HUD/Department of the Treasury report, subprime lending generally has the following characteristics:<sup>8</sup>

- **Higher Risk:** Lenders experience higher loan defaults and losses by subprime borrowers than by prime borrowers.
- **Lower Loan Amounts:** On average, loans in the subprime mortgage market are smaller than loans in the prime market.
- **Higher Costs to Originate:** Subprime loans may be more costly to originate than prime loans since they often require additional review of credit history, a higher rate of rejected or withdrawn applications and fixed costs such as appraisals, that represent a higher percentage of a smaller loan.
- **Faster Prepayments:** Subprime mortgages tend to be prepaid at a much faster rate than prime mortgages.

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<sup>8</sup> U.S. Department of Housing and Urban Development. 2000. “Unequal Burden In Los Angeles: Income and Racial Disparities in Subprime Lending.”

- **Higher Fees:** Subprime loans tend to have significantly higher fees due to the factors listed above.

Subprime lending can both impede and extend fair housing choice. On the one hand, subprime loans extend credit to borrowers who potentially could not otherwise finance housing. The increased access to credit by previously underserved consumers and communities contributed to record high levels of homeownership among minorities and lower income groups. On the other hand, these loans left many lower income and minority borrowers exposed to default and foreclosure risk. Since foreclosures destabilize neighborhoods and subprime borrowers are often from lower income and minority areas, mounting evidence suggests that classes protected by fair housing faced the brunt of the recent subprime and mortgage lending market collapse.<sup>9</sup>

While HMDA data does not classify loans as subprime, it does track the interest rate spread on loans. An interest rate spread refers to the difference between two related interest rates. For HMDA data, spread specifically refers to the difference between the annual percentage rate (APR) for a loan and the yield on a comparable-maturity Treasury security. In 2005, the Federal Reserve Board required lenders to report rate spreads for loans whose APR was above the Treasury benchmark. Loans with a reported spread are typically referred to as higher-priced or subprime loans.

<b>Table 44: Reported Spread on Loans by Race/Ethnicity (2007-2011)</b>				
	<b>Frequency of Spread</b>		<b>Average Spread</b>	
	<b>2007</b>	<b>2011</b>	<b>2007</b>	<b>2011</b>
<b>Del Rey Oaks</b>				
White	7.1%	0.0%	3.39	--
Black	--	--	--	--
Hispanic	0.0%	0.0%	--	--
Asian	0.0%	0.0%	--	--
<b>Gonzales</b>				
White	11.8%	0.0%	4.52	--
Black	0.0%	--	--	--
Hispanic	15.2%	1.5%	4.34	2.39
Asian	20.0%	0.0%	3.17	--
<b>Unincorporated Monterey County</b>				
White	11.7%	0.9%	4.11	2.51
Black	18.5%	3.4%	4.88	2.13
Hispanic	16.8%	1.9%	4.27	2.87
Asian	17.1%	0.3%	4.18	1.97

Source: www.lendingpatterns.com, 2012.

<sup>9</sup> Association of Community Organizations for Reform Now. September 2007. "Foreclosure Exposure: A Study of Racial and Income Disparities in Home Mortgage Lending in 172 American Cities."

As shown in Table 44, the frequency of loans with reported spread has decreased substantially since 2007. In 2007, the proportion of loans with a reported spread varied depending on the community and the race of the applicant but ranged from seven percent to 20 percent. The small number of minority applicants in Del Rey Oaks does not allow for an accurate subprime lending analysis by race/ethnicity for the City; however, in Gonzales and the unincorporated County, minority applicants were more likely than White applicants to receive subprime loans (i.e. loans with a reported spread).

By 2011, the issuance of subprime loans in the Urban County had declined dramatically — only a small fraction of loans issued during this year (under four percent) had a reported spread, compared to 2007 when up to 20 percent of loans issued were subprime. While the overall frequency of subprime loans has decreased, Black and Hispanic applicants were still more likely than White and Asian applicants to be the recipient of these subprime loans.

Since 2007, not only has there been a decline in the number of subprime loans issued, there has also been a decrease in the magnitude of spread reported on these loans. Generally, the higher the reported spread on a loan, the worse that loan is compared to a standard prime loan. In 2007, the average reported spread for a subprime loan was just under five points; by 2011, the average reported spread had dropped to below three points. There was virtually no difference in the reported magnitude of spread for subprime loans by race/ethnicity of the applicant.

## 1. Predatory Lending

With an active housing market, potential predatory lending practices by financial institutions may arise. Predatory lending involves abusive loan practices usually targeting minority applicants or those with less-than-perfect credit histories. The predatory practices typically include higher fees, hidden costs, and unnecessary insurance and larger repayments due in later years. One of the most common predatory lending practices is placing borrowers into higher interest rate loans than called for by their credit status. Although the borrowers may be eligible for a loan in the “prime” market, they are directed into more expensive and higher fee loans in the “subprime” market. In other cases, fraudulent appraisal data is used to mislead homebuyers into purchasing over-valued homes, and/or misrepresented financial data is used to encourage homebuyers into assuming a larger loan than can be afforded. Both cases almost inevitably result in foreclosure.

In recent years, predatory lending has also penetrated the home improvement financing market. Seniors and minority homeowners are typically the targets of this type of lending. In general, home improvement financing is more difficult to obtain than home purchase financing. Many homeowners have a debt-to-income ratio that is too high to qualify for home improvement loans in the prime market and become targets of predatory lending in the subprime market. Seniors have been swindled into installing unnecessary devices or making unnecessary improvements that are bundled with unreasonable financing terms.

Predatory lending is a growing fair housing issue. Predatory lenders who discriminate get 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 Credit Opportunity Act of 1972 requires equal treatment in loan terms and availability of credit for all of



the above categories, as well as age, sex, and marital status. Lenders that engage in predatory lending would violate these Acts if they target minority or elderly households to buy at higher prices and unequal loan products, treat loans for protected classes differently than those of comparably credit-worthy White applicants, or have policies or practices that have a disproportionate effect on the protected classes.

Data available to investigate the presence of predatory lending is extremely limited. At present, HMDA data are the most comprehensive data available for evaluating lending practices. However, as discussed before, HMDA data lack the financial details of the loan terms to conclude that any kind of predatory lending has actually occurred. There is an effort at the national level to push for increased reporting requirements in order to identify and curb predatory lending.

The State of California has enacted additional measures designed to stem the tide of predatory lending practices. A law (Senate Bill 537) signed by Governor Gray Davis provided a new funding mechanism for local district attorneys' offices to establish special units to investigate and prosecute real estate fraud cases. The law enabled county governments to establish real estate fraud protection units. Furthermore, Governor Davis signed AB 489 in October 2001, a predatory lending reform bill. The law prevents a lender from basing the loan strictly on the borrower's home equity as opposed to the ability to repay the loan. The law also outlaws some balloon payments and prevents refinancing unless it results in an identifiable benefit to the borrower.

Predatory lending and unsound investment practices, central to the current home foreclosure crisis, led to a credit crunch that spread well beyond the housing market and impacted the cost of credit for local government borrowing and local property tax revenues. In response, the U.S. House of Representatives passed legislation H.R.3915 in 2007, which would prohibit certain predatory lending practices and make it easier for consumers to renegotiate predatory mortgage loans. The U.S. Senate introduced similar legislation in late 2007 (S.2454). The Mortgage Reform and Anti-Predatory Lending Act (H.R.1728) was passed in the House in May 2009 and amends the Truth in Lending Act to specify duty of care standards for originators of residential mortgages. The law also prescribed minimum standards for residential mortgage loans and directs the Secretary of Housing and Urban Development (HUD) to establish a grants program to provide legal assistance to lower and moderate income homeowners and tenants and prohibits specified practices, including:

- Certain prepayment penalties;
- Single premium credit insurance;
- Mandatory arbitration (except reverse mortgages);
- Mortgage loan provisions that waive a statutory cause of action by the consumer; and
- Mortgages with negative amortization.<sup>10</sup>

In addition to anti-predatory lending laws, the Mortgage Forgiveness Debt Relief Act was enacted in 2007 and allows for the exclusion of income realized as a result of modification of the terms of a mortgage or foreclosure on a taxpayer's principal residence.

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<sup>10</sup> In negative amortization, a borrower pays monthly mortgage payments that are lower than the required interest payments and include no principal payments. The shortage in monthly payments is added to the principle loan. Therefore, the longer the borrower holds that loan, the more they owe the lender despite making monthly payments.

While subprime lending cannot in and of itself be described as “predatory,” studies have shown a high incidence of predatory lending in the subprime market.<sup>11</sup> Unlike in the prime lending market, overly high approval rates in the subprime market is a potential cause for concern when the target clients are considered high risk. High approval rates may indicate aggressive lending practices. Table 42 summarizes the approval rates of top lenders in Del Rey Oaks, Gonzales, and unincorporated County. Of these top lenders, Wells Fargo Bank, Stearns Lending, Inc., WJ Bradley Mortgage Capital, Mason McDuffie Mortgage Corp., RMR Financial, In., and RPM Mortgage, Inc. had notably high approval rates (over 80 percent).

## G. Purchased Loans

Secondary mortgage marketing is the term used for pricing, buying, selling, securitizing and trading residential mortgages. The secondary market is an informal process of different financial institutions buying and selling home mortgages. The secondary market exists to provide a venue for lending institutions to raise the capital required to make additional loans.

### 1. History

In the 1960s, as interest rates became unstable, housing starts declined and the nation faced capital shortages as many regions, including California, had more demand for mortgage credit than the lenders could fund. The need for new sources of capital promoted Congress to reorganize the Federal National Mortgage Association (FNMA) into two entities: a private corporation (today’s FNMA) and a government agency, the Government National Mortgage Association (GNMA). In 1970, Congress chartered the Federal Home Loan Mortgage Corporation (FHLMC) to purchase conventional loans. Both FHLMC and FNMA have the same goals: to increase the liquidity of the mortgage market and make homeownership more widely available to the average citizen. The two organizations work to standardize the documentation, underwriting and financing of home loans nationwide. They purchase loans from originators, hold them and issue their own debt to replenish the cash. They are, essentially, very large, massive savings and loan organizations. These two organizations set the standards for the purchase of home loans by private lenders in the U.S.

### 2. Fair Housing Concerns

During the peak of the housing market, the practice of selling mortgage loans by the originators (lenders that initially provide the loans to the borrowers) to other lenders and investors was prevalent. Predatory lending was rampant, with lenders utilizing liberal underwriting criteria or falsified documents to push loan sales to people who could not afford the loans. The originating lenders were able to minimize their financial risk by immediately selling the loans to other lenders or investors on the secondary market.

Table 45 shows the various loan types purchased in Del Rey Oaks, Gonzales, and the unincorporated County, as well as the race/ethnicity of the applicants, in 2011. In the City of Del Rey Oaks, White applicants represented the majority of all applicants and were subsequently the most likely to have their loans purchased. Because of the limited number of minority loan

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<sup>11</sup> California Reinvestment Committee. November 2001. “Stolen Wealth, Inequities in California’s Subprime Mortgage Market.”

applicants in the City, an analysis of purchased loans for the City by race/ethnicity may be misleading.

In Gonzales, Hispanic applicants comprised a majority of total applicants and were subsequently the most likely to have their loans purchased. Because of the limited number of White, Black and Asian applicants in the City, an analysis of purchased loans for the City by race/ethnicity may be misleading.

In the unincorporated County, Black and Hispanic applicants were by far the most likely to have their loans purchased in 2011. These discrepancies were the most obvious when looking at the proportion of purchased loans for home purchase loans (both government-backed and conventional loans). Less than 20 percent of conventional home purchase loans for Whites and Asian were purchased in the secondary mortgage market; however, twice as many conventional mortgage loans for Black households (40 percent) were purchased. Black and Hispanic households were also the most likely to have their government-backed home purchase loans purchased on the secondary mortgage market.

<b>Table 45: Percent of Purchased Loans by Race (2011)</b>				
<b>Loan Type</b>	<b>White</b>	<b>Black</b>	<b>Asian</b>	<b>Hispanic</b>
<b>Del Rey Oaks</b>				
Government-Backed Purchase	50.0%	--	--	100.0%
Conventional Purchase	16.7%	--	0.0%	--
Refinance	6.8%	--	0.0%	0.0%
Home Improvement	0.0%	--	--	--
<b>Gonzales</b>				
Government-Backed Purchase	22.2%	--	--	42.9%
Conventional Purchase	40.0%	--	0.0%	47.4%
Refinance	4.8%	--	0.0%	21.4%
Home Improvement	--	--	--	0.0%
<b>Unincorporated Monterey County</b>				
Government-Backed Purchase	41.4%	46.2%	40.5%	45.9%
Conventional Purchase	18.3%	40.0%	14.8%	22.1%
Refinance	9.9%	11.7%	8.3%	11.4%
Home Improvement	12.8%	0.0%	0.0%	14.3%

Source: [www.lendingpatterns.com](http://www.lendingpatterns.com), 2012.

## H. Review of Lending Patterns by Specific Lender

Because the applicant profiles of some of the top lenders in the Urban County differ so significantly, this section looks at the underwriting outcomes of some of the major lenders in the three jurisdictions.

### Wells Fargo Bank

Wells Fargo was the top lender for both Del Rey Oaks and the unincorporated County in 2011; the bank was also the second most prolific lender in Gonzales that year. Wells Fargo captured 27 percent of the market share in Del Rey Oaks, 15 percent in Gonzales, and 19 percent in the unincorporated County. Overall approval rates for this institution (85 percent in Del Rey Oaks, 58 percent in Gonzales, and 71 percent in the unincorporated County) were on par or slightly above the average approval rates for all other lenders. An analysis of underwriting outcomes for this particular lender did not reveal much disparity in approval, denial or fallout rates based on the race/ethnicity of the applicant.

### JP Morgan Chase Bank

JP Morgan Chase was the second most prolific lender in the City of Del Rey Oaks and unincorporated County and the fourth most popular in the City of Gonzales in 2011. The lender captured 15 percent of the market share in Del Rey Oaks, and 10 percent in both Gonzales and the unincorporated County. Approval rates were for this institution (73 percent in Del Rey Oaks, 77 percent in Gonzales and 71 percent for the unincorporated County) were on par or slightly above the average for all lenders in the Urban County.

### Bank of America

Bank of America was another top lender in the Urban County in 2011. The lender accounted for four percent of the market share in Del Rey Oaks, 18 percent in Gonzales, and nine percent in the unincorporated County. Approval rates for this lender were, for the most part, similar to average approval rates for all lenders in the Urban County; however, in Gonzales, approval rates for this bank were significantly lower than the overall average (32 percent versus 59 percent overall).

As the top lender in Gonzales, Bank of America had the second lowest approval rate of all top lenders in the City (Table 42). Hispanic applicants, in particular, had significantly lower approval rates than White applicants (30 percent versus 43 percent) at this institution. Fallout rates for this bank were also high (43 percent for Whites and 40 percent for Hispanics, respectively). Limited language assistance could be a possible explanation for the low approval and high fallout rate among Hispanic applications; however, not enough information is available to determine the extent to which limited language assistance impedes fair housing choice, if at all.

### Stearns Lending, Inc.

Stearns Lending, Inc. is a privately held residential home lender based in Santa Ana, California. They were the third most active lender in Gonzales, where they accounted for 10 percent of the

market share, and fifth most active in the unincorporated County with three percent of the market share. According to the data summarized in Table 42, approval rates for this lender were significantly above average for all lenders in both Gonzales (89 percent versus 59 percent overall) and the unincorporated County (88 percent versus 66 percent overall).

In Gonzales, 18 households applied for loans with this lender in 2011, 80 percent of whom (16 applicants) were Hispanic while the remaining two applicants were White. A substantial majority of Hispanic applicants were approved (69 percent), while 32 percent were subject to fallout; these rates are comparable to overall approval and fallout rates of 67 percent and 33 percent, respectively.

### Mason McDuffie Mortgage Corporation

Mason McDuffie is a privately held mortgage banker headquartered in San Ramon, CA. This lender was a top ten lender in Gonzales in 2011, representing four percent of the market share. The bank had an approval rate that was significantly higher than the average for all lenders (86 percent versus 59 percent). This financial institution was also considered a top lender for both Hispanic and Black applicants in the unincorporated County. Approval rates were significantly high among White (85 percent) and Hispanic applicants (73 percent) for this lender in 2011.

### WJ Bradley Mortgage Capital

WJ Bradley Mortgage Capital is a privately held independent mortgage lending firm headquartered in Centennial, Colorado. This lender was a top ten lender in all three jurisdictions representing three percent of the market share in both Del Rey Oaks and the unincorporated County and six percent in Gonzales. Approval rates for this institution were the highest among any of the top ten lenders in both Del Rey Oaks and Gonzales and significantly higher than the average for all lenders in the unincorporated County. This lender was the second most prolific lender among Hispanic applicants in the unincorporated County, of which 80 percent were approved and 13 percent were subject to fallout. These rates are on par with the overall approval and fallout rates for this lender (82 percent and 12 percent, respectively). A high proportion of the total applicants served by this institution in Gonzales were also Hispanic (91 percent or 10 applicants). At 90 percent, the approval rate for these applicants was high yet equal to the overall rate.

## I. Foreclosures

Foreclosure occurs when households fall behind on one or more scheduled mortgage payments. The foreclosure process can be halted if the homeowner is able to bring their mortgage payments current. If payments cannot be resumed or the debt cannot be resolved, the lender can legally use the foreclosure process to repossess (take over) the home. When this happens, the homeowners must move out of the property. If the home is worth less than the total amount owed on the mortgage loan, a deficiency judgment could be pursued. If that happens, the homeowner would lose their home and also would owe the home lender an additional amount.

Figure 8 illustrates the location of all the properties within the Del Rey Oaks, Gonzales, and the unincorporated areas of Monterey County that were in the foreclosure process as of December 2012. Dense clusters of foreclosures can be seen in the northern (Prunedale to Pajaro) and north-western (Carmel Valley) parts of the unincorporated County.

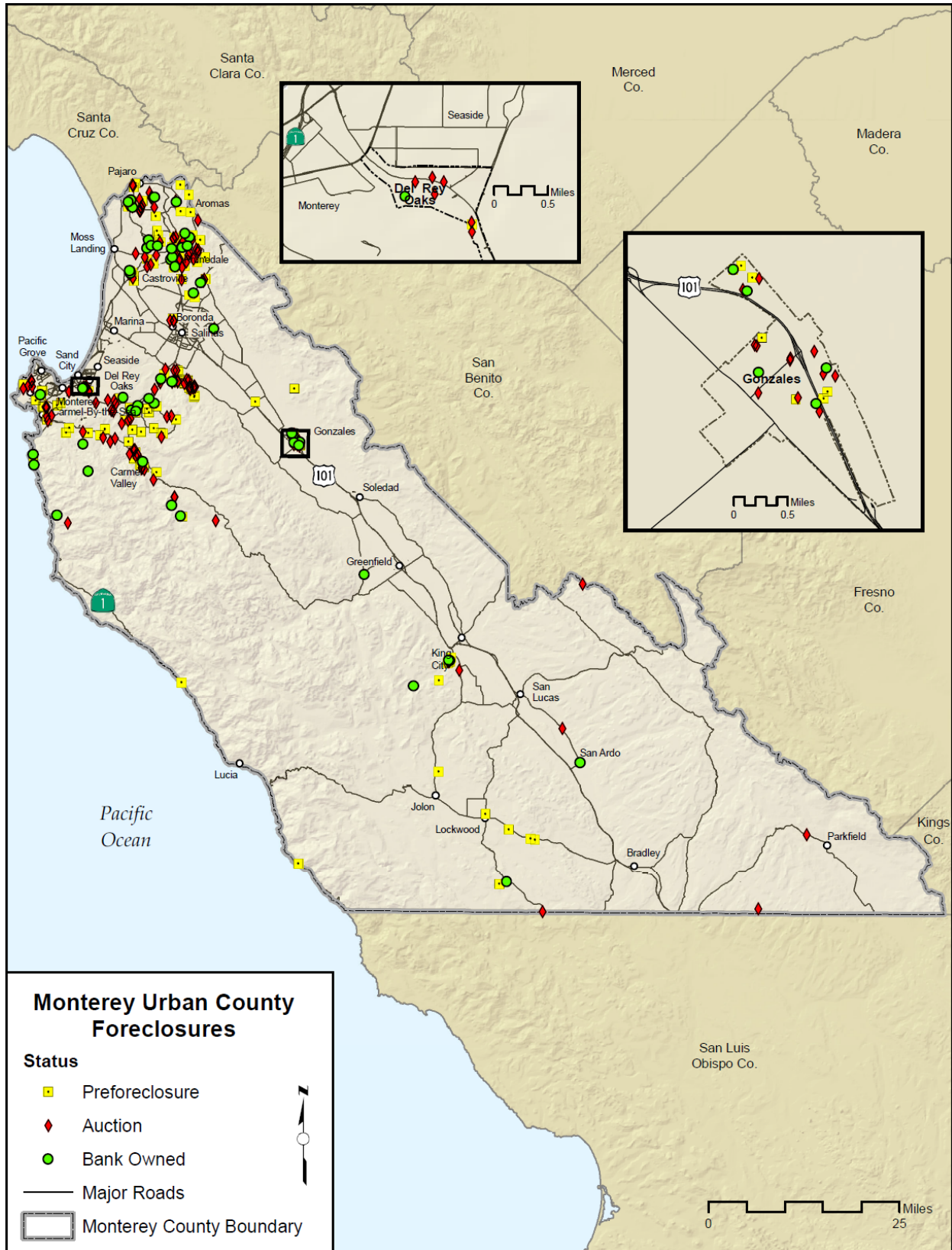
Homes can be in various stages of foreclosure. Typically, the foreclosure process begins with the issuance of a Notice of Default (NOD). An NOD serves as an official notification to a borrower that he or she is behind in their mortgage payments and, if the payments are not paid up, the lender will seize the home. In California, lenders will not usually file an NOD until a borrower is at least 90 days behind in making payments. As of December 2012, one property in Del Rey Oaks, seven properties in Gonzales, and 40 properties in the unincorporated County were in this pre-foreclosure stage.

Once an NOD has been filed, borrowers are given a specific time period, typically three months, in which they can bring their mortgage payments current. If payments are not made current at the end of this specified time period, a Notice of Trustee Sale (NTS) will be prepared and published in a newspaper. An NTS is a formal notification of the sale of a foreclosure property. In California, the NTS is filed 90 days following an NOD when a property owner has failed to make a property loan current. Once an NTS has been filed, a property can then be sold at public auction. According to foreclosure records, four properties in Del Rey Oaks, 11 properties in Gonzales, and 55 properties in the unincorporated County were in the auction stage of the foreclosure process as of December 2012.

Many properties, however, are unable to be sold at public auction. In the event of an unsuccessful sale at auction, a property becomes classified as Real Estate Owned (REO) and ownership of it reverts back to the mortgage company or lender. In December 2012, there were no bank-owned properties in the City of Del Rey Oaks, five bank-owned properties in the City of Gonzales, and a total of 18 bank-owned properties in the unincorporated County.

According to comments received during the public outreach process for the development of this AI report, predatory lending practices in Monterey County disproportionately impact the elderly and non-English-speaking homeowners. Many households facing foreclosures are being targeted for fraudulent foreclosure prevention services.

**Figure 8: Foreclosures**





# Chapter 5

## Public Policies

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Public policies established at the regional and local levels can affect housing development and therefore may have an impact on the range and location of housing choices available to residents. Fair housing laws are designed to encourage an inclusive living environment and active community participation. An assessment of public policies and practices enacted by jurisdictions within the Urban County can help determine potential impediments to fair housing opportunity. This section presents an overview of government regulations, policies, and practices enacted by each of the jurisdictions in the Urban County that may impact fair housing choice.

### A. Policies and Programs Affecting Housing Development

The General Plan of a jurisdiction establishes a vision for the community and provides long-range goals and policies to guide the development in achieving that vision. Two of the seven State-mandated General Plan elements – Housing and Land Use Elements – have direct impact on the local housing market in terms of the amount and range of housing choice. The Zoning Ordinance, which implements the Land Use Element, is another important document that influences the amount and type of housing available in a community – the availability of housing choice. In addition, the unincorporated County has a Local Coastal Program that also plays a significant role in affordable housing in the Coastal Zone.

#### 1. Housing Element Law and Compliance

As one of the State-mandated elements of the local General Plan, the Housing Element is the only element with specific statutory requirements and is subject to review by the State Department of Housing and Community Development (HCD) for compliance with State law. Enacted in 1969, Housing Element law requires that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges 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. Specifically, the Housing Element must:

- Identify adequate sites which will be made available through appropriate zoning and development standards and with services and facilities needed 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;

- 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;
- Conserve and improve the condition of the existing affordable housing stock; and
- Promote housing opportunities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, disability, sexual orientation, gender identification, or any other arbitrary factor.

### Compliance Status

A Housing Element found by HCD to be in compliance with State law is presumed to have adequately addressed its policy constraints. According to HCD, the County of Monterey and City of Gonzalez adopted Housing Elements that are in compliance with State law for the 2007-2014 planning period. HCD wrote a letter in October 2006 informing the City of Del Rey Oaks that its draft Housing Element substantially complied with State Housing Element law; however, HCD never received a copy of the adopted/final document for review and official certification pursuant to Government Code Section 65585(g). Without the final certification status, the City of Del Rey Oaks is not eligible to compete for many housing and community development grants administered by HCD.

## 2. Land Use Element

The Land Use Element of a General Plan designates the general distribution, location, and extent of uses for land planned for housing, business, industry, open space, and public or community facilities. As it applies to housing, the Land Use Element establishes a range of residential land use categories, specifies densities (typically expressed as dwelling units per acre [du/ac]), and suggests the types of housing appropriate in a community. Residential development is implemented through the zoning districts and development standards specified in the jurisdiction's zoning ordinance.

### Residential Densities

A number of factors, governmental and non-governmental, affect the supply and cost of housing in a local housing market. The governmental factor that most directly influences these market conditions is the allowable density range of residentially designated land. In general, higher densities allow developers to take advantage of economies of scale, reduce the per-unit cost of land and improvements, and reduce developments costs associated with new housing construction. Reasonable density standards ensure the opportunity for higher-density residential uses to be developed within a community, increasing the feasibility of producing affordable housing. Minimum required densities in multi-family zones ensure that land zoned for multi-family use, the supply of which is often limited, will be developed as efficiently as possible for multi-family uses.

Table 46 presents a summary of allowable densities by land use type within the City of Gonzales, City of Del Rey Oaks, and unincorporated areas of the County. While most jurisdictions have Land Use Elements that allow a range of single-family (up to 14.0 du/ac) and multi-family (6.1 to 30.0 du/ac) residential uses, the City of Del Rey Oaks General Plan Land Use Element does not accommodate multi-family uses at a density greater than 10.0 du/ac without a density bonus or other incentives for affordable housing. The Del Rey Oaks Zoning Ordinance allows up to 18 du/ac in the “D” zone with approval of a Conditional Use Permit (CUP). Nevertheless, Del Rey Oaks is a small city with little opportunity for residential growth.

State law requires a local government to make a finding that a density reduction, rezoning, or downzoning is consistent with its Housing Element prior to requiring or permitting a reduction of density of a parcel below the density used in determining Housing Element compliance. The legislation also allowed courts to award attorneys’ fees and costs if the court determines that the density reduction or downzoning was made illegally.

Table 46: Typical Land Use Categories & Permitted Density by Jurisdiction					
Generalized Land Use (By Density)	Density Range (du/ac)	Typical Residential Type	Gonzales	Del Rey Oaks	County
<b>Single-family</b>					
Low	<3.1	Single-family homes on large lots	■	■	■
Medium	3.1-6.0	Single-family homes on medium-sized lots	■	■	■
High	6.1-14.0	Smaller single-family homes	■	■	■
<b>Multiple-family</b>					
Low	6.1-16.0	Town homes, duplexes, condominiums, and small single-story apartments	■	■	■
Medium	16.1-20.0	One and two-story apartment complexes	■	*	■
High	20.1-30.0	Two and three-story apartment complexes	■		■

Note: This table represents a summary of typical land use categories, as defined by density. These categories are not necessarily representative of a specific jurisdiction’s General Plan Land Use categories. Instead, they are meant to provide an overview of the type of land uses and densities permitted in that jurisdiction. The squares identify a jurisdiction as supporting land use densities within the identified range (according to the General Plan’s Land Use Element). However, a jurisdiction’s land use category might not include all the densities listed in that range. For example, the “NR High” land use sub-designation in the City of Gonzales supports densities between 15 and 24 du/ac, so the Multiple-family Low, Medium, and High categories are checked since the range covers all three categories.

\*Zoning Ordinance allows up to 18 du/ac in the “D” zone with CUP.

Source:

1. County of Monterey General Plan Land Use Element, 2010.
2. City of Del Rey Oaks General Plan Land Use Element, 1997.
3. City of Gonzales General Plan Land Use Element, 2011.

### 3. Zoning Ordinance

The Zoning Ordinance implements the General Plan by establishing zoning districts that correspond with General Plan land use designations. 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 (Government Code, Sections 65800-65863). Several aspects of the Zoning Ordinance that may affect a person’s access to housing or limit the range of housing choices available are described below.

As part of the Housing Element update, jurisdictions are required to evaluate their land use policies, zoning provisions, and development regulations, and make proactive efforts to mitigate any constraints identified. The following review is based on the current Zoning Ordinances as of the writing of this AI.

### Definition of Family

A community’s Zoning Ordinance can potentially restrict access to housing for households failing to qualify as a “family” by the definition specified in the Zoning Ordinance. For instance, a landlord may refuse to rent to a “nontraditional” family based on the zoning definition of a family. A landlord may also use the definition of a family as an excuse for refusing to rent to a household based on other hidden reasons, such as household size. Even if the code provides a broad definition, deciding what constitutes a “family” should be avoided by jurisdictions to prevent confusion or give the impression of restrictiveness.

California court cases<sup>12</sup> have ruled that a definition of “family” that: 1) limits the number of persons in a family; 2) specifies how members of the family are related (i.e. by blood, marriage or adoption, etc.), or 3) a group of not more than a certain number of unrelated persons as a single housekeeping unit, is invalid. Court rulings stated that defining a family does not serve any legitimate or useful objective or purpose recognized under the zoning and land planning powers of the jurisdiction, and therefore violates rights of privacy under the California Constitution. A Zoning Ordinance also cannot regulate residency by discrimination between biologically related and unrelated persons. Furthermore, a zoning provision cannot regulate or enforce the number of persons constituting a family. Currently, the City of Del Rey Oaks Zoning Ordinance includes a definition of “family” that constitutes a potential impediment to fair housing choice because it limits family to a group of no more than four unrelated persons living together as a single housekeeping unit.

### Density Bonus

California Government Code Section 65915 provides that a local government shall grant a density bonus of at least 20 percent (five percent for condominiums) and an additional incentive, or financially equivalent incentive(s), to a developer of a housing development agreeing to provide at least:

- Ten percent of the units for lower income households;
- Five percent of the units for very low income households;
- Ten percent of the condominium units for moderate income households;
- A senior citizen housing development; or
- Qualified donations of land, condominium conversions, and child care facilities.

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<sup>12</sup> City of Santa Barbara v. Adamson (1980), City of Chula Vista v. Pagard (1981), among others.

The density bonus law also applies to senior housing projects and projects which include a child care facility. In addition to the density bonus stated above, the statute includes a sliding scale that requires:

- An additional 2.5 percent density bonus for each additional increase of one percent Very Low income units above the initial five percent threshold;
- A density increase of 1.5 percent for each additional one percent increase in Low income units above the initial 10 percent threshold; and
- A one percent density increase for each one percent increase in Moderate income units above the initial 10 percent threshold.

These bonuses reach a maximum density bonus of 35 percent when a project provides either 11 percent Very Low income units, 20 percent Low income units, or 40 percent Moderate income units. In addition to a density bonus, developers may also be eligible for one of the following concessions or incentives:

- Reductions in site development standards and modifications of zoning and architectural design requirements, including reduced setbacks and parking standards;
- Mixed used zoning that will reduce the cost of the housing, if the non-residential uses are compatible with the housing development and other development in the area; and
- Other regulatory incentives or concessions that result in "identifiable, financially sufficient, and actual cost reductions."

As of January 2013, only the County of Monterey Zoning Ordinance specified density bonus provisions in accordance with State law. Del Rey Oaks and Gonzales do not have density bonus provisions that are consistent with current State law. However, the City of Gonzales 2009-2014 Housing Element includes a program to revise the Zoning Ordinance to update the density bonus ordinance. Specifying the density bonus provisions and types of incentives and concessions available in the Zoning Ordinances provides certainty to developers.

In December 2012, HCD issued the Guidelines for Streamlined Review of the fifth Housing Element update – due by December 2015 for jurisdictions within Monterey County. One of the eligibility requirements for the Streamlined Review is having already adopted a density bonus ordinance consistent with State law.

### Parking Requirements

Communities that require an especially high number of parking spaces per dwelling unit can negatively impact the feasibility of producing affordable housing or housing for special needs groups 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 is limited to multiple-family, affordable, or senior housing. The basic parking standards for participating jurisdictions are presented in Table 47. Reduced parking is

available for certain affordable and senior housing in conjunction with density bonuses, pursuant to State law.

**Table 47: Parking Requirements**

Jurisdictions	Single-Family	Multiple-Family					Second Dwelling Unit (SDU)
		Studio/1br	2br	3br	4+br	Guest Space	
Del Rey Oaks	1.0	1.75	1.75	2.0	2.0	None	1.0
Gonzales	2.0	1.0	2.0	2.0	3.0	0.5	1.0
County of Monterey	2.0	1.0/1.5	2.0	2.2	2.2	0.25	1.0

Source: Zoning Ordinances for the County of Monterey, City of Del Rey Oaks, and City of Gonzales.


Parking requirements in the unincorporated County, Del Rey Oaks, and Gonzales are generally comparable. However, multiple-family parking standards in Del Rey Oaks are higher than parking requirements for single-family units and offer little or no distinction between smaller and larger units. Although Del Rey Oaks does not impose a guest space parking requirement on multiple-family units, as is common in many jurisdictions, the City’s standards place a greater relative parking burden on projects that propose mostly studio or one bedroom units. Because smaller multiple-family units are often the most suitable type of housing for seniors and persons with disabilities, requiring the same number parking spaces as larger multiple-family units can be a constraint on the construction of units intended to serve these populations. As such, the parking requirement for studio and one-bedroom units in Del Rey Oaks could be perceived as a potential impediment to fair housing choice.

Jurisdictions will also sometimes establish minimum standards and requirements for handicapped parking. The County of Monterey, City of Del Rey Oaks, and City of Gonzales defer to handicapped parking requirements and standards outlined in Title 24 of the California Building Code.

### Variety of Housing Opportunity

To ensure fair housing choice in a community, a Zoning Ordinance should provide for a range of housing types, including single-family, multiple-family, second dwelling units, mobile and manufactured homes, licensed residential care facilities, emergency shelters, supportive housing, transitional housing, single room occupancy (SRO) units, and farm employee housing. Table 48 provides a summary of each jurisdiction’s Zoning Ordinance as it relates to ensuring a variety of housing opportunities.

<b>Table 48: Variety of Housing Opportunity</b>			
<b>Housing Type</b>	<b>Del Rey Oaks</b>	<b>Gonzales</b>	<b>County</b>
Single-family	P	P/C	P/A/C
Multiple-family	P	P/C	P/A/C
Second Dwelling Units	P	P	P
Manufactured Housing		P	P/A/C
Residential Care Facilities (6 or fewer persons)		P/C	P
Residential Care Facilities (more than 6 persons)		C	C
Emergency Shelters		P	P
Transitional Housing		P	P/A/C
Supportive Housing		P	P/A/C
Single Room Occupancy (SRO)		P	C
Farm Employee Housing			P

Notes: P – Permitted; A – Administrative Review Permit; C – Conditional or Special Use Permit.  
 - Potential impediments.

Source: Zoning Ordinances for the City of Del Rey Oaks, City of Gonzales, and County of Monterey.

### *Single- and Multiple-Family Uses*

Single- and multiple-family 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 would be permitted by right. Del Rey Oaks and Gonzales accommodate single- and multiple-family housing without a use permit. Monterey County requires a use permit for all housing types exceeding ten units per acre in its High Density Residential (HDR) zone, including multiple-family uses. Use permit requirements for multiple-family uses within land use designations and zoning districts that have been identified as being suitable for higher density residential land uses may extend the time frame for project review and increase the uncertainty of project approval. The County’s 2009-2014 Housing Element includes a program to remove the use permit requirement for multiple-family housing.

Zoning Ordinances should also avoid “pyramid or cumulative zoning” (e.g. permitting lower-density single-family uses in zones intended for higher density multi-family uses). Pyramid or cumulative zoning schemes could limit the amount of lower-cost multiple-family residential uses in a community and be a potential impediment to fair housing choice. Participating jurisdictions allow single-family residential uses in multiple-family zones which could potentially reduce the amount of land available for multi-family housing. Allowing or requiring a lower density use in a zone that can accommodate higher density uses is regulated by State law (AB 2292). A local government is required to make a finding that an action that results in a density reduction, rezoning, or downzoning is consistent with its Housing Element, particularly in relation to the jurisdiction’s ability to accommodate its share of regional housing needs.



### *Second Dwelling Units*

Second dwelling units are attached or detached dwelling units that provide complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, cooking and sanitation. Second units may be an alternative source of affordable housing for lower income households and seniors. These units typically rent for less than apartments of comparable size.

California law requires local jurisdictions to adopt ordinances that establish the conditions under which second units are permitted. Second units cannot be prohibited in residential zones unless a local jurisdiction establishes that such action may limit housing opportunities in the region and finds that second units would adversely affect the public health, safety, and welfare in residential zones. The State's second unit law also requires use of a ministerial, rather than discretionary, process for reviewing and approving second units. A ministerial process is intended to reduce permit processing time frames and development costs because proposed second units that are in compliance with local zoning standards can be approved without a public hearing.

Because second dwelling units can be an important source of suitable type of housing for seniors and persons with disabilities, overly restrictive or conflicting provisions for these units can impede housing options. The County of Monterey and the City of Gonzales comply with the State's second unit law. Del Rey Oaks currently requires a discretionary use permit for second dwelling units. However, Del Rey Oaks is a small community. Opportunities for second units may be limited.

### *Manufactured Housing*

State law requires local governments to permit manufactured or mobile homes meeting federal safety and construction standards on a permanent foundation in all single-family residential zoning districts (Section 65852.3 of the California Government Code). A local jurisdiction's Zoning Ordinance should be compliant with this law. Currently, the Del Rey Oaks Zoning Ordinance does not explicitly accommodate manufactured housing in single-family residential zoning districts consistent with State law. Because these units can be a source of housing for lower income individuals, including seniors and the disabled, overly restrictive regulation of these uses can indirectly impede housing choice.

### *Residential Care Facilities*

The Lanterman Developmental Disabilities Services Act (Sections 5115 and 5116 of the California Welfare and Institutions Code) declares that mentally and physically disabled persons are entitled to live in normal residential surroundings and that the use of property for the care of six or fewer disabled persons is a residential use for zoning purposes. A state-authorized, certified, or licensed family care home, foster home, or group home serving six or fewer persons with disabilities or dependent and neglected children on a 24-hour-a-day basis is considered a residential use that is permitted in all residential zones. No local agency can impose stricter zoning or building and safety standards on these homes (commonly referred to as "group" homes) of six or fewer persons with disabilities than are required of the other permitted residential uses in the zone. The Lanterman Act covers only licensed residential care facilities. The California Housing Element law was recently amended (SB 2) to address the provision of transitional and supportive housing, which covers also non-licensed housing facilities for persons with disabilities. This topic is discussed later.

Del Rey Oaks does not have provisions for residential care facilities of any size in its Zoning Ordinance and Gonzales requires a CUP for residential care facilities serving six or fewer clients in some zones. Residential care facilities, however, are not common place in Gonzales because 40 percent of the City's population is under the age of 30 and the City's proportion of senior residents is fairly low. Additionally, many of Gonzales' seniors live with their families in a traditional environment. Regardless, no provision for, or overly restrictive regulation of, residential care facilities can indirectly impede fair housing choice.

### *Emergency Shelters*

An emergency shelter provides housing with minimal supportive services for homeless persons and is limited to occupancy of six months or less by a homeless person. No individual or household may be denied emergency shelter because of an inability to pay (Health and Safety Code Section 50801[e]).

State law requires jurisdictions to identify adequate sites for housing which will be made available through appropriate zoning and development standards to facilitate and encourage the development of a variety of housing types for all income levels, including emergency shelters and transitional housing (Government Code Section 65583[c][1]). Changes to State law (SB 2) in 2008 require that local jurisdictions make provisions in the zoning code to permit emergency shelters by right and with a ministerial approval process in at least one zoning district where adequate capacity is available to accommodate at least one year-round shelter. Local jurisdictions may, however, establish limited and objective standards to regulate the development of emergency shelters.

At the writing of this report, only the City of Gonzales permits emergency shelters by right in at least one zone, in accordance with State law. The County of Monterey allows emergency or homeless shelters by right in several zones; however, the use is subject to development standards that exceed the maximum required by SB2. Specifically, the County of Monterey requires that emergency shelters be located within 2,500 feet of an existing transit station. Emergency shelters are not permitted in Del Rey Oaks.

### *Transitional and Supportive Housing*

State law (SB 2) requires local jurisdictions to address the provisions for transitional and supportive housing. Transitional housing is defined as buildings configured as rental housing developments but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months (California Health and Safety Code Section 50675.2[h]).

Supportive housing is defined as housing with no limit on length of stay that is occupied by a target population and that is linked to onsite or offsite services that assist the supportive housing resident in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community (California Health and Safety Code 50675.14 [b]). Target population means persons, including persons with disabilities, and families who are "homeless," as that term is defined by Section 11302 of Title 42 of the United States Code, or who are "homeless youth," as that term is defined by paragraph (2) of subdivision (e) of Section 11139.3 of the Government Code.

Pursuant to SB 2, transitional and supportive housing constitutes a residential use and therefore local governments cannot treat it differently from other types of residential uses (e.g., requiring a use permit when other residential uses of similar function do not require a use permit). Del Rey Oaks did not have any provisions for transitional or supportive housing as of January 2013. The County of Monterey and City of Gonzales allow transitional and supportive housing by-right in residential zones, subject to the same development standards and permitting processes as other residential uses; however, the County of Monterey and City of Gonzales do not allow transitional or supportive housing in its agriculture zones, where single-family housing is allowed.

Supportive and transitional housing provides additional housing options for people with disabilities, a protected class of the population. To facilitate and encourage the provision of supportive housing in the region, the Zoning Ordinances of most jurisdictions should be amended to define and identify zones for transitional and supportive housing consistent with SB 2.

#### *Single-Room Occupancy (SRO)*

AB 2634 amending the State Housing Element law also mandates that local jurisdictions address the provision of housing options for Extremely Low income households. SRO units are small, one-room units intended for occupancy by a single individual. California HCD considers SRO units to be a suitable housing type to meet the needs of Extremely Low income individuals. It is distinct from a studio or efficiency unit in that each is a one-room unit that must contain a kitchen and bathroom. Although SRO units are not required to have a kitchen or bathroom, many SROs have one or the other. SRO units are one of the most traditional forms of affordable private housing for lower income individuals, including seniors and persons with disabilities. These protected classes are required to have suitable housing options and SROs provide these options. Currently, the City of Del Rey Oaks does not allow SRO units. The County of Monterey and City of Gonzales, however, have Zoning Ordinances that include provisions for SRO units.

#### *Farm Employee Housing*

The California Employee Housing Act requires that housing for six or fewer employees be treated as a regular residential use. The Employee Housing Act further defines housing for agricultural workers consisting of 36 beds or 12 units as an accessory agricultural use in agricultural zones, subject to the same permit process as the primary agricultural use. Compliance with these requirements among participating jurisdictions is summarized in Table 49.

**Table 49: Farm Employee Housing by Jurisdiction**

Jurisdiction	Agricultural Zoning	Permits Farm Employee Housing in Zoning Ordinance	Compliance with Employee Housing Act
Del Rey Oaks	No	N/A	No
Gonzales	Yes	No	No
County of Monterey	Yes	Yes*	Yes

Notes: Zoning Ordinances for the County of Monterey, City of Del Rey Oaks, and City of Gonzales.

\*=Permitted but with an impediment.

Currently, only the County of Monterey is in compliance with the Employee Housing Act. Del Rey Oaks and Gonzales do not have provisions in the Zoning Ordinance that treat housing for six or fewer employees as a regular residential use. The County of Monterey and City of Gonzales allow commercial agricultural operations; however, the Zoning Ordinances do not treat farm employee housing consistent with the Employee Housing Act. Del Rey Oaks does not allow commercial agriculture operations and therefore does not require provisions for farm employee housing.

## B. Building, Occupancy, Health and Safety Codes

### 1. Building Codes

Building codes, such as the California Building Standards Code<sup>13</sup>, are necessary to protect public health, safety, and welfare. However, local codes that require substantial improvements to a building might not be warranted and deter housing construction and/or neighborhood improvement.

The California Building Standards Code is published every three years by order of the California legislature. The Code applies to all jurisdictions in the State of California unless otherwise annotated. Adoption of the triennial compilation of Codes is not only a legal mandate, it also ensures the highest available level of safety for citizens and that all construction and maintenance of structures meets the highest standards of quality.

Participating jurisdictions have adopted the 2010 California Building Standards Code. The County of Monterey and City of Gonzales amended portions of these codes. Most of the amendments reflect non-arbitrary local conditions including geographical and topographic conditions unique to each locality. However, the City of Gonzales amended the Code’s definition of “dwelling unit” to include not more than one family or a congregate residence for ten or less persons. The California Building Standards Code definition of “dwelling unit” does not limit occupancy to a specified number of persons. As discussed in the next section, this amendment could impede fair housing

<sup>13</sup> California Building Code, adopted by the Building Standards Commission, is actually a set of uniform building, electrical, mechanical, and other codes adopted by professional associations such as the International Conference of Building Officials, and amended to include California-specific requirements.

choice as it may impose an occupancy standard that could limit housing options for persons with disabilities.

## 2. Occupancy Standards

Disputes over occupancy standards are typical tenant/landlord and fair housing issues. Families with children and large households are often discriminated in the housing market, particularly in the rental housing market, because landlords are reluctant or flatly refuse to rent to such households. Establishing a strict occupancy standard either by the local jurisdictions or by landlords on the rental agreements may be a violation of fair housing practices.

In general, no State or federal regulations govern occupancy standards. The State Department of Fair Employment and Housing (DFEH) uses the “two-plus-one” rule in considering the number of persons per housing unit – two persons per bedroom plus an additional person per unit. Using this rule, a landlord cannot restrict occupancy to fewer than three persons for a one-bedroom unit or five persons for a two-bedroom unit, etc. Other issues such as lack of parking or gender of the children occupying one bedroom should not be factors considered by the landlord when renting to a household. While DFEH also uses other factors, such as the age of the occupants and size of rooms, to consider the appropriate standard, the two-plus-one rule is generally followed. Other guidelines are also used as occupancy standards – the California Fire Code and the California Housing Code. The 2010 Fire Code allows one person per 200 square feet of building floor area. The Uniform Housing Code (2007 edition) outlined a standard of one person for every 50 square feet of bedroom space.<sup>14</sup> These standards are typically more liberal than the “two-plus-one” rule.

A review of occupancy standards for participating jurisdictions revealed that the City of Gonzales has adopted a standard that overtly limits the number of people who can occupy a housing unit. Gonzales amended the California Building Code definition of “dwelling unit” to limit the number of occupants of a congregate residence to ten or fewer persons, irrespective of the number of bedrooms or building square footage in the structure. Although the City of Del Rey Oaks has not adopted an overtly restrictive occupancy standard, the Zoning Ordinance defines “family” as a group of no more than four unrelated persons living together as a single housekeeping unit. These definitions of “dwelling unit” and “family” may be interpreted as an occupancy standard that in some cases could be more restrictive than that established in the California Fire Code or DFEH guidelines.

## C. Affordable Housing Development

In general, many minority and special needs households are disproportionately affected by a lack of adequate and affordable housing in a region. While affordability issues are not directly fair housing issues, expanding access to housing choices for these groups cannot ignore the affordability factor. Insofar as rent-restricted or non-restricted low-cost housing is concentrated in certain geographic locations, access to housing by lower income and minority groups in other areas is limited and can therefore be an indirect impediment to fair housing choice. Furthermore, various permit processing and development impact fees charged by local government results in increased housing costs and

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<sup>14</sup> It should be noted that the 2010 California Residential Code does not include an occupancy standard.

can be a barrier to the development of affordable housing. These issues are examined in the subsections below.

## 1. Siting of Affordable Housing

The geographic distribution of affordable housing units in the Urban County is uneven, with clusters of affordable housing located in Pajaro, Castroville, Carmel Valley, and the City of Gonzales (Figure 4 on page 57). There is a distinct lack of affordable housing located in central and southern portions of the Urban County. Gonzales had the highest concentration of affordable housing (as measured by the ratio of affordable units per 500 housing units) among participating jurisdictions (Table 50).

<b>Table 50: Public and Affordable Housing</b>				
<b>Jurisdiction</b>	<b>Affordable Units</b>	<b>Total Housing Units (2010)</b>	<b>% of Housing Stock Affordable</b>	<b>Affordable Units per 500 Housing Units</b>
Del Rey Oaks	0	741	0.0%	0.0
Gonzales	86	1,989	4.3%	21.6
Unincorporated County	753	39,434	1.9%	9.5

Sources:

1. County of Monterey, 2012.
2. City of Del Rey Oaks, 2012.
3. City of Gonzales, 2012.
4. Bureau of the Census, 2010.

## 2. Development Fees

Housing construction imposes certain short- and long-term costs upon local government, such as the cost of providing planning services and inspections. As a result, jurisdictions rely upon various planning and development fees to recoup costs and ensure that essential services and infrastructure are available when needed. Planning fees for the County of Monterey, City of Gonzales, and City of Del Rey Oaks are summarized in Table 51. As shown, fees vary widely based on the needs of each jurisdiction.

**Table 51: Application and Permit Processing Fees**

Fee Type	Del Rey Oaks	Gonzales	County of Monterey
General Plan Amendment	N/A	Cost with \$3,000 deposit	Cost with \$40,138 deposit
Zoning Amendment	N/A	Minor – \$832 Major – Cost with \$5,000 deposit	Cost with \$39,977 deposit
Use Permit	\$555-\$655	Minor – \$750 Major – Cost with \$2,000 deposit	\$7,816
Site Plan / Design Review	SF - \$100 MF - \$600	Administrative – \$84 Planning Commission – \$219	Administrative – \$533 Planning Commission – \$1,076
Minor Subdivision	N/A	Cost with \$5,000 deposit	\$16,405-\$17,114
Major Subdivision	N/A	Cost with \$10,000 deposit	\$28,040-\$29,296

Source:

1. City of Gonzales Fee Schedule for FY12/13.
2. City of Del Rey Oaks Planning and Building Guidelines, 2013.
3. County of Monterey, Land Use Fees Effective 7/1/12.

Jurisdictions also charge a variety of impact fees to offset the cost of providing infrastructure and public facilities that are required to serve new development. Until 1978, property taxes were the primary revenue source for financing the construction of infrastructure and improvements required to support new residential development. The passage of Proposition 13 in 1978 has limited a local jurisdiction’s ability to raise property taxes and significantly lowered the ad valorem tax rate, 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 including water and sewer facilities, parks, and transportation improvements. To enact an impact fee, State law requires that the local jurisdiction demonstrate the “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 roughly proportional to the impact caused by the development. Nevertheless, development impact fees today have become a significant cost factor in housing development.

California’s high residential development fees contribute to its high housing costs and prices. Among California jurisdictions, fees account for an average of ten percent of the median price of new single-family homes. The effects of reduced fees on housing affordability, however, would vary widely depending on the amount of the fee reduction and on current home prices. As things now stand, those jurisdictions that do the most to accommodate California’s housing production needs are also the most dependent on development fees to finance growth-supporting infrastructure, and thus, can least afford to reduce their fees. Conversely, those jurisdictions in which fees are low relative to housing prices tend to be less dependent on fees and can most afford to reduce them, should they so desire.

The contribution of fees to home prices varies temporally as well as spatially. When times are good, housing production tends to lag behind demand, especially in coastal markets. Housing prices



during such periods are chiefly affected by the balance between supply and demand and are much less affected by construction and development costs. When economic times are bad, as they are today in most parts of California, and demand is weak, housing prices are more sharply affected by the prices of construction inputs, including fees. The strength of the economy and housing market also determines the degree of fee shifting and who ultimately pays fees. During strong economic times, it is the final homebuyer or renter who ends up paying housing development fees; the builder or developer is mostly an intermediary. During recessionary periods, the burden of paying of fees may be shifted to the landowner and may result in lower land prices.

## D. Other Land Use Policies, Programs, and Controls

Land use policies, programs, and controls can impede or facilitate housing development and can have implications for fair housing choice in a community. Inclusionary housing policies can facilitate new affordable housing projects, while growth management programs and Article 34 of the California Constitution can impede new affordable housing development. Table 52 identifies participating jurisdictions that are affected by or have adopted land use policies, programs, and controls that may affect housing development and fair housing choice in its community.

<b>Jurisdictions</b>	<b>Article 34</b>	<b>Growth Management</b>	<b>Inclusionary Housing</b>
Del Rey Oaks	--	--	--
Gonzales	--	--	--
County	--	--	Y

Sources:

1. City of Del Rey Oaks, 2013.
2. City of Gonzales, 2013.
3. County of Monterey, 2013.

### 1. Article 34

Article 34 of the State Constitution requires a majority vote of the electorate to approve the development, construction, or acquisition by a public body of any “low rent housing project” within that jurisdiction. In other words, for any projects where at least 50 percent of the occupants are low income and rents are restricted to affordable levels, the jurisdiction must seek voter approval known as “Article 34 Authority” to authorize that number of units. Participating jurisdictions do not have Article 34 Authority.

In the past, Article 34 may have prevented certain projects from being built. In practice, most public agencies have learned how to structure projects to avoid triggering Article 34, such as limiting public assistance to 49 percent of the units in the project. Furthermore, the State legislature has enacted Sections 37001, 37001.3, and 37001.5 of the Health and Safety Code to clarify ambiguities relating to the scope of the applicability of Article 34 which now exist.

## 2. Growth Management Programs

Growth management programs facilitate well-planned development and ensure that the necessary services and facilities for residents are provided. However, a growth management program may act as a constraint if it prevents a jurisdiction from addressing its housing needs, which could indirectly impede fair housing choice. These 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 (the outermost extent of anticipated urban development), to numerical limitations on the number of dwelling units that may be permitted annually.

Participating jurisdictions do not have growth management ordinances or policies that restrict the number of dwelling units that may be constructed within a given period of time. State housing law mandates a jurisdiction facilitate the development of a variety of housing to meet the jurisdiction's fair share of regional housing needs. Any growth management measure that would compromise a jurisdiction's ability to meet its regional housing needs may have an exclusionary effect of limiting housing choices and opportunities of regional residents, or concentrating such opportunities in other areas of the region.

## 3. 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 and moderate income households. The goal of inclusionary housing programs is to increase the supply of affordable housing commensurate with new market-rate development in a jurisdiction. This can result in improved regional jobs-housing balances and foster greater economic and racial integration within a community. The policy is most effective in areas experiencing rapid growth and a strong demand for housing.

Inclusionary programs can be voluntary or mandatory. Voluntary programs typically require developers to negotiate with public officials but do not specifically mandate the provision of affordable units. Mandatory programs are usually codified in the Zoning Ordinance, and developers are required to enter into a development agreement specifying the required number of affordable housing units or payment of applicable in-lieu fees<sup>15</sup> prior to obtaining a building permit.

The County of Monterey has an inclusionary housing ordinance (Chapter 18.40 of the Monterey County Code). The program is mandatory because it requires dedication of a fixed percentage of proposed units affordable to lower or moderate income households or payment of a fee in-lieu of dedication that is used to build new affordable housing units in the jurisdiction.

The City of Gonzales does not have a specific Inclusionary Housing Program; however, the development of multi-family dwelling in the R-2 Medium Density Residential District requires "new development of four units or more to make available as affordable rental units at least 10 percent of total units. The minimum required rental unit must also contain three or more bedrooms unless designated as a unit reserved for seniors." (Section 12.68.040 (C)(7).

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<sup>15</sup> An in-lieu fee is the payment of a specified sum of money instead of constructing the required number of affordable housing units. The fee is used to finance affordable housing elsewhere in a community.

In 2009, the California Supreme Court chose to uphold the appellate court’s decision in the case of *Palmer/Sixth Street Properties v. City of Los Angeles*. The *Palmer* decision calls into question whether inclusionary housing ordinances, which require developers to offer a portion of rental units as low-income units or pay an in-lieu fee, may be in violation of California's Costa-Hawkins Act. The decision affects inclusionary housing practices related to rental properties specifically. The *Palmer* case was the first instance in which the Costa-Hawkins Act was applied to an inclusionary housing ordinance. This decision will not affect inclusionary housing requirements for ownership (for-sale) affordable units or rental projects that receive other types of financial assistance from jurisdictions (such as density bonuses or redevelopment funds). However, the County of Monterey may need to take a closer look at its inclusionary housing policies to determine if and how they may be impacted by this decision.

## E. Policies Causing Displacement or Affect Housing Choice of Minorities and Persons with Disabilities

Local government policies could result in displacement or affect representation of minorities or the disabled. Policy areas that could have these effects include reasonable accommodation procedures, occupancy standards, and redevelopment.

### 1. Reasonable Accommodation

Under State and federal law, local governments are required to “reasonably accommodate” housing for persons with disabilities when exercising planning and zoning powers. Jurisdictions must grant variances and zoning changes if necessary to make new construction or rehabilitation of housing for persons with disabilities feasible but are not required to fundamentally alter their Zoning Ordinance.

Although most local governments are aware of State and Federal requirements to allow reasonable accommodations, if specific policies or procedures are not adopted by a jurisdiction or a jurisdiction requires a public hearing or discretionary decision, residents with disabilities may be unintentionally displaced or discriminated against. Some jurisdictions, like Del Rey Oaks, provide flexibility in development standards on a case-by-case basis. The County of Monterey and City of Gonzales have adopted administrative/ministerial policies and procedures in the Municipal Code to reasonably accommodate the housing needs of residents.

A jurisdiction’s definition of a disabled person can be considered an impediment to fair housing if it is not consistent with the definition of disability provided under the Fair Housing Act. The Act defines disabled person as “those individuals with mental or physical impairments that substantially limit one or more major life activities.” Zoning ordinances for participating jurisdiction do not define “disability” or “disabled person.”

### 2. Redevelopment Agencies

Until recently, redevelopment activity facilitated by policies and programs implemented by city/county redevelopment agencies could have impacted protected classes either through direct displacement or by limiting housing options in redevelopment project areas on the one hand, or by

providing significant affordable housing to protected classes on the other hand. However, the State of California dissolved redevelopment agencies effective February 1, 2012. Prior to dissolution, redevelopment had been used by participating agencies as a tool to remove blighted conditions, provide economic opportunities, create housing for lower and moderate income residents, renovate or replace deteriorated or dilapidated structures, develop vacant infill and under-used properties, and provide public infrastructure and other improvements to support private investment in deteriorated areas of the unincorporated County and cities of Del Rey Oaks and Gonzales. Implementation of redevelopment project plans had provided a means for increasing housing choices for lower and moderate income residents or those with special needs, and dissolution of redevelopment agencies adversely impacts these efforts.

## F. Local Housing Authorities

The Housing Authority of the County of Monterey (HACM) administers the Housing Choice Voucher Program in Monterey County. HACM also owns and operates public housing in the County. The availability and use of Housing Choice Vouchers and public housing units must also adhere to fair housing laws.

For Housing Choice Vouchers, the Housing Act mandates that not less than 75 percent of new admissions must have incomes at or below 30 percent of the Area Median Income (AMI). The remaining balance of 25 percent may have incomes up to 80 percent of the AMI. For public housing, the Housing Act mandates that not less than 40 percent of new admissions must have incomes at or below 30 percent of the AMI. The balance of 60 percent of new admissions may have incomes up to 80 percent of the AMI. Since HACM also operates a Housing Choice Voucher program, admissions of households at or below 30 percent AMI to the voucher program during a HACM fiscal year that exceed the 75 percent minimum target requirement for the voucher program can be credited against the HACM's basic targeting requirement in the public housing program for the same fiscal year, subject to specific certain requirements.

Section 16(a)(3)(B) of the United States Housing Act mandates that public housing authorities adopt an admissions policy that promotes the de-concentration of poverty in public housing. HUD emphasizes that the goal of de-concentration is to foster the development of mixed-income communities within public housing. In mixed-income settings, lower income residents are provided with working-family role models and greater access to employment and information networks. This goal is accomplished through income-targeting and de-concentration policies. HACM has adopted an admissions policy that promotes the de-concentration of poverty in public housing.

The following local preferences are applied to public housing applicants on the waiting list pursuant to 24 CFR 960.206:

- Families who have had their HACM Section 8 Housing Choice Voucher revoked due to HUD HAP funding shortfalls within the last 12 months (35 points)
- Elderly families or families headed by an elderly person or families with household members who are mentally, physically or developmentally disabled (30 points)
- Working families (30 points)
- Families who are actively enrolled in a case management, job training, transitional housing or other self-sufficiency program (20 points)

- Victims of Disasters (10 points)
- Veterans (10 points)
- Families who reside in substandard housing who are permanently displaced or about to be permanently displaced as a result of code enforcement activities as determined by local housing code enforcement officials (5 points)

HACM has established a similar but more expansive list of local preferences for the Housing Choice Voucher program. Monterey County residents, victims of domestic violence, and families who have provided drug-related criminal activity testimony are among the list of preferences applied to the voucher program waiting list but not to the public housing waiting list.

## G. California Environmental Quality Act (CEQA)

CEQA is California's broadest environmental law as it applies to all discretionary projects proposed to be conducted or approved by a public agency, including private projects that require government approval. The primary purpose of CEQA is to disclose to the public the significant environmental effects of proposed project. CEQA also requires that public agencies disclose to the public the decision making process utilized to approve projects and is intended to enhance public participation in the environmental review process.

In October 2011, the Governor signed into law SB 226, which allows for streamlined CEQA review for certain infill development projects, including some Transit Oriented Developments (TODs). The statute allows an exemption or limited environmental review of projects that meet certain criteria and are consistent with earlier policy documents such as General Plans, Specific Plans, or Master Plans. Subsequent environmental review of qualifying projects is limited to new or substantially greater impacts not adequately addressed in an earlier CEQA document.

The streamlined environmental process allowed by SB 226 makes it possible for the environmental impacts of a paper document like a General Plan, Specific Plan, or Master Plan area to be analyzed long before a physical development project is proposed. Because SB 226 does not include a time limit, CEQA's environmental review and public comment requirements could be satisfied by a document prepared years prior to the proposal of a specific development proposal. Because infill and TOD projects are often proposed in under-served lower income and minority neighborhoods, the disjointed disclosure of potential environmental impacts resulting from SB 226 has potential for disproportionate adverse impacts on protected classes.

## H. Community Participation

Adequate community involvement and representation are important to overcoming and identifying impediments to fair housing or other factors that may restrict access to housing. Decisions regarding housing development in a community are typically made by the City Council or Board of Supervisors and Planning Commission. The Supervisors and Council members are elected officials and answer to the constituents. Planning Commissioners are residents often appointed by the Council or the Board of Supervisors and serve an advisory role to the elected officials. In addition to the City Council, Board of Supervisors, and Planning Commission, most jurisdictions have appointed commissions, committees, and task forces to address specific issues. Seniors

commissions are most typical; however, few jurisdictions have commissions that address the needs of the disabled or families with children, or have a housing task force that oversees housing-related matters. The County of Monterey has a Housing Advisory Committee that oversees housing matters.

Community participation can be limited or enhanced by actions or inaction by a public agency. A broader range of residents may feel more comfortable approaching an agency with concerns or suggestions if that agency offers sensitivity or diversity training to its staff members that typically interface with the public. In addition, if there is a mismatch between the linguistic capabilities of staff members and the native languages of local residents, non-English speaking residents may be unintentionally excluded from the decision making process. Another factor that may affect community participation is the inadequacy of an agency or public facility to accommodate residents with various disabilities.

While providing fair housing education for the public and housing professionals is critical, ensuring city and County staff understand fair housing laws and are sensitive to the discrimination issues is equally important. The County of Monterey and City of Del Rey Oaks sponsor periodic sensitivity training for staff members who interface with the public every day. Sensitivity training is a form of education that attempts to make a person more aware of oneself and others. Such training often incorporates principles of non-discrimination and cultural diversity. The City of Gonzales indicated that it has not conducted such training for staff. The City of Gonzales and County of Monterey have bi-lingual capabilities to serve Spanish speaking residents. The City of Del Rey Oaks has staff who can converse with the public in Spanish, Italian, and Portuguese.

# Chapter 6

## Fair Housing Profile

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This chapter provides an overview of the institutional structure of the housing industry with regard to fair housing practices. In addition, this chapter discusses the fair housing services available to residents in the Urban County, as well as the nature and extent of fair housing complaints received by the fair housing provider. Typically, fair housing services encompass the investigation and resolution of housing discrimination complaints, discrimination auditing/testing, and education and outreach, including the dissemination of fair housing information. Tenant/landlord counseling services are usually offered by fair housing service providers but are not considered fair housing services.

### A. Fair Housing Practices in the Homeownership Market

Part of the American dream involves owning a home in the neighborhood of one's choice. Homeownership is believed to enhance one's sense of well-being, is a primary way to accumulate wealth, and is believed to strengthen neighborhoods, because residents with a greater stake in their community will be more active in decisions affecting the future of their community. Not all Americans, however, have always enjoyed equal access to homeownership due to credit market distortions, "redlining," steering, and predatory lending practices.

On December 5, 1996, HUD and the National Association of REALTORS® (NAR) entered into a Fair Housing Partnership. Article VII of the HUD/NAR Fair Housing Partnership Resolution provides that HUD and NAR develop a Model Affirmative Fair Housing Marketing Plan for use by members of the NAR to satisfy HUD's Affirmative Fair Housing Marketing regulations. Yet there is still much room for discrimination in the housing market. This section analyzes potential impediments to fair housing in the home ownership sector.

#### 1. The Homeownership Process

The following discussions describe the process of home buying and likely situations when a person/household may encounter housing discrimination. However, much of this process occurs in the private housing market over which local jurisdictions have little control or authority to regulate. The recourse lies in the ability of the contracted fair housing service providers in monitoring these activities, identifying the perpetrators, and taking appropriate reconciliation or legal actions.

#### Advertising

The first thing a potential buyer is likely to do when they consider buying a home is search advertisements either in magazines, newspapers, or the Internet to get a feel for what the market offers. Advertisements cannot include discriminatory references such as the use of words describing:



- Current or potential residents;
- Neighbors or the neighborhood in racial or ethnic terms;
- Adults preferred;
- Perfect for empty nesters;
- Conveniently located by a Catholic Church; or
- Ideal for married couples without kids.

Of a total of 140 listings posted on Craigslist in February 2013, only eight listings included references to something other than the physical description of the available home and amenities and services included (Table 53). Six of the advertisements were targeted specifically at families, and another three ads included potentially discriminatory language towards persons with disabilities.

<b>Discrimination Type</b>	<b>Number of Listings</b>	<b>Potentially Discriminatory Language*</b>
No Discriminatory Language	131	n/a
Income Related	0	n/a
Household Size/ Family Related	6	<ul style="list-style-type: none"> <li>• Children’s Play Area</li> <li>• There's plenty of room to roam and live year round or just store all the toys and rendezvous with family and friends!</li> <li>• Elementary School: Elkhorn Elementary</li> <li>• Carmel School District</li> </ul>
Disability Related	3	<ul style="list-style-type: none"> <li>• Pet restrictions</li> </ul>
Miscellaneous	1	<ul style="list-style-type: none"> <li>• This is a truly private horse boarding facility.</li> </ul>

Source: www.realtor.com, accessed February, 2013.

\*Examples are direct quotes from the listings (including punctuation and emphasis).

Advertising has become a sensitive area in real estate. In some instances, advertisements published in non-English languages may make those who speak English uncomfortable, yet when ads are only placed in English, they place non-English speaking residents at a disadvantage. While real estate advertising can be published in other languages, by law an English version of the ad must also be published. Monitoring this requirement is difficult, if not impossible.

Even if an agent does not intend to discriminate in an ad, it would still be considered a violation to suggest to a reader whether or not a particular group is preferred. Recent litigation has also set precedence for violations in advertisements that hold publishers, newspapers, Multiple Listing Services, real estate agents, and brokers accountable for discriminatory ads.

## Lending

Initially, buyers must find a lender that will qualify them for a loan. This part of the process entails an application, credit check, ability to repay, amount eligible for, choosing the type and terms of the loan, etc. Applicants are requested to provide a lot of sensitive information including their gender, ethnicity, income level, age, and familial status. Most of this information is used for reporting purposes required of lenders by the Community Reinvestment Act (CRA) and the Home Mortgage

Disclosure Act (HMDA). However, analysis of lending data over the last decade has led many to conclude that lower income households and minorities have been targeted for predatory lending.

Lending discrimination can occur during advertising/outreach, pre-application inquiries, loan approval/denial and terms/conditions, and loan administration. Further areas of potential discrimination include: differences in the level of encouragement, financial assistance, types of loans recommended, amount of down payment required, and level of customer service provided.

### Appraisals

Banks order appraisal reports to determine whether or not a property is worth the amount of the loan they will be giving. Generally speaking, appraisals are based on the comparable sales of properties within the neighborhood of the property being appraised. Other factors are taken into consideration, such as the age of the structure, any improvements made, location, general economic influences, etc. However, during the mortgage lending and refinancing frenzy prior to 2008, there have been reports of inflated home values in order to entice refinancing.

### Real Estate Agents

Real estate professionals may act as agents of discrimination. Some unintentionally, or possibly intentionally, may steer a potential buyer to particular neighborhoods by encouraging the buyer to look into certain areas; others may choose not to show the buyer all choices available. Agents may also discriminate by whom they agree to represent, whom they turn away, and the comments they make about their clients.

The California Association of REALTORS® (CAR) has included language on many standard forms disclosing fair housing laws to those involved. Many REALTOR® Associations also host fair housing trainings/seminars to educate members on the provisions and liabilities of fair housing laws, and the Equal Opportunity Housing Symbol is also printed on all CAR forms as a reminder.

### Covenants, Conditions, and Restrictions (CC&Rs)

Covenants, Conditions, and Restrictions (CC&Rs) are restrictive promises that involve voluntary agreements, run with the land they are associated with, and are listed in a recorded Declaration of Restrictions. The Statute of Frauds (Civil Code Section 1624) requires them to be in writing because they involve real property. They must also be recorded in the County where the property is located in order to bind future owners. Owners of parcels may agree amongst themselves as to the restrictions on use but, in order to be enforceable, they must be reasonable.

The California Department of Real Estate reviews CC&Rs for all subdivisions of five or more lots, or condominiums of five or more units. This review is authorized by the Subdivided Lands Act and mandated by the Business Professions Code, Section 11000. The review includes a wide range of issues, including compliance with fair housing law. The review must be completed and approved before the Department of Real Estate will issue a final subdivision public report. This report is required before a real estate broker or anyone can sell the units, and each prospective buyer must be issued a copy of the report. If the CC&Rs are not approved, the Department of Real Estate will issue a “deficiency notice”, requiring the CC&Rs be revised. CC&Rs are void if they are unlawful,

impossible to perform or are in restraint on alienation (a clause that prohibits someone from selling or transferring his/her property). However, older subdivisions and condominium/townhome developments may contain illegal clauses which are enforced by the homeowners associations.

### Homeowners Associations

Often left out in the fair housing scene are homeowners associations. Many homeowners in condominium/townhome developments are not aware that they are also subject to fair housing laws and equal application of the CC&R conditions. Currently, board of directors for homeowners associations are not required to receive fair housing training. Policies, rules, and decisions made by the board of directors may violate fair housing laws.

### Homeowners Insurance Industry

Insurance is the cornerstone of credit. Without insurance, banks and other financial institutions lend less. Fewer loans leads to fewer new homes constructed and more existing homeowners will forgo repairs leaving buildings to deteriorate faster.<sup>16</sup> Many traditional industry underwriting practices which may have some legitimate business purpose also adversely affect lower income and minority households and neighborhoods. For example, if a company excludes older homes from coverage, lower income and minority households who can only afford to buy in older neighborhoods may be disproportionately affected. Another example includes private mortgage insurance (PMI). PMI obtained by applicants from Community Reinvestment Act (CRA) protected neighborhoods is known to reduce lender risk. Redlining of lower income and minority neighborhoods can occur if otherwise qualified applicants are denied or encouraged to obtain PMI.<sup>17</sup> Underwriting guidelines are not public information; however, consumers have begun to seek access to these underwriting guidelines to learn if certain companies have discriminatory policies.

The California Fair Access to Insurance Requirements (FAIR) Plan was created by the Legislature in 1968 after the brush fires and riots of the 1960s made it difficult for some people to purchase fire insurance due to hazards beyond their control. The FAIR Plan is designed to make property insurance more readily available to people who have difficulty obtaining it from private insurers because their property is considered "high risk."

The California Organized Investment Network (COIN) is a collaboration of the California Department of Insurance, the insurance industry, community economic development organizations, and community advocates. This collaboration was formed in 1996 at the request of the insurance industry as an alternative to state legislation that would have required insurance companies to invest in underserved communities, similar to the federal Community Reinvestment Act (CRA) that applies to the banking industry. COIN is a voluntary program that facilitates insurance industry investments which provide profitable returns to investors and economic and social benefits to underserved communities.

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<sup>16</sup> National Advisory Panel on Insurance in Riot Affected Areas. 1968.

<sup>17</sup> Mester, Loretta J. 1994. "Borrower and Neighborhood Racial Characteristics and Financial Institution Financial Application Screening." *Journal of Real Estate Finance and Economics*; 9 241-243.

## Credit and FICO Scores

Credit history is one of the most important factors in obtaining a home purchase loan. Credit scores determine loan approval, interest rates associated with the loan, as well as the type of loan an applicant will be given. Applicants with high credit scores are generally given conventional loans, while lower and moderate range scores revert to FHA or other government-backed loans. Applicants with lower scores also receive higher interest rates on the loans as a result of being perceived as a higher risk to the lender and may even be required to pay points depending on the type of lending institution used.

Fair Isaac and Company (FICO), which is the company used by the Experian (formerly TRW) credit bureau to calculate credit scores, has set the standard for the scoring of credit history. Trans-Union and Equifax are two other credit bureaus that also provide credit scores, though they are typically used to a lesser degree. In short, points are awarded or deducted based on certain items such as how long one has had credit cards, whether one makes payments on time, if credit balances are near maximum, etc. Typically, the scores range from the 300s to around 850, with higher scores demonstrating lower risk. Lower credit scores require a more thorough review than higher scores and mortgage lenders will often not even consider a score below 600.

FICO scores became more heavily relied on by lenders when studies conducted show that borrowers with scores above 680 almost always make payments on time, while borrowers with scores below 600 seemed fairly certain to develop problems. Some of the factors that affect a FICO score are:

- Delinquencies
- New accounts (opened within the last twelve months)
- Length of credit history (a longer history of established credit is better than a short history)
- Balances on revolving credit accounts
- Public records, such as tax liens, judgments, or bankruptcies
- Credit card balances
- Number of inquiries
- Number and types of revolving accounts

However, the mortgage lending crunch that began in 2008 resulted (in part) from lenders providing mortgage financing to borrowers who are not credit worthy or steering borrowers who can qualify for lower cost loans to the subprime market.

## 2. National Association of REALTORS® (NAR)

The National Association of REALTORS® (NAR) has developed a Fair Housing Program to provide resources and guidance to REALTORS® in ensuring equal professional services for all people. The term REALTOR® identifies a licensed professional in real estate who is a member of the NAR; however, not all licensed real estate brokers and salespersons are members of the NAR.

## Code of Ethics

Article 10 of the NAR Code of Ethics provides that “REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin. REALTORS® shall not be a party to any plan or agreement to discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin.”

A REALTOR® pledges to conduct business in keeping with the spirit and letter of the Code of Ethics. Article 10 imposes obligations upon REALTORS® and is also a firm statement of support for equal opportunity in housing. A REALTOR® who suspects discrimination is instructed to call the local Board of REALTORS®. Local Boards of REALTORS® will accept complaints alleging violations of the Code of Ethics filed by a home seeker who alleges discriminatory treatment in the availability, purchase or rental of housing. Local Boards of REALTORS® have a responsibility to enforce the Code of Ethics through professional standards procedures and corrective action in cases where a violation of the Code of Ethics is proven to have occurred.

Additionally, Standard of Practice Article 10-1 states that “REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood and shall not engage in any activity which may result in panic selling. REALTORS® shall not print, display or circulate any statement or advertisement with respect to the selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status, or national origin.”

## Diversity Certification

NAR has created a diversity certification, “At Home with Diversity: One America” to be granted to licensed real estate professionals who meet eligibility requirements and complete the NAR “At Home with Diversity” course. The certification will signal to customers that the real estate professional has been trained on working with diversity in today’s real estate markets. The coursework provides valuable business planning tools to assist real estate professionals in reaching out and marketing to a diverse housing market. The NAR course focuses on diversity awareness, building cross-cultural skills, and developing a business diversity plan.

## 3. California Department of Real Estate (DRE)

The California Department of Real Estate (DRE) is the licensing authority for real estate brokers and salespersons. As noted earlier, not all licensed brokers and salespersons are members of the National or California Association of REALTORS®.

The DRE has adopted education requirements that include courses in ethics and in fair housing. To renew a real estate license, each licensee is required to complete 45 hours of continuing education, including three hours in each of the four mandated areas: Agency, Ethics, Trust Fund, and Fair Housing. The fair housing course contains information that will enable an agent to identify and avoid discriminatory practices when providing real estate services to clients.

The law requires, as part of the 45 hours of continuing education, completion of five mandatory three-hour courses in Agency, Ethics, Trust Fund Handling and Fair Housing and Risk Management. These licensees will also be required to complete a minimum of 18 additional hours of courses related to consumer protection. The remaining hours required to fulfill the 45 hours of continuing education may be related to either consumer service or consumer protection, at the option of the licensee.

#### 4. California Association of REALTORS® (CAR)

The California Association of Realtors (CAR) is a trade association of 92,000 realtors statewide. As members of organized real estate, realtors also subscribe to a strict code of ethics as noted above. CAR has recently created the position of Equal Opportunity/Cultural Diversity Coordinator. CAR holds three meetings per year for its general membership, and the meetings typically include sessions on fair housing issues. Current outreach efforts in the Northern California area are directed to underserved communities and state-licensed brokers and sales persons who are not members of the CAR.

#### REALTOR® Associations Serving the Urban County

REALTOR® Associations are generally the first line of contact for real estate agents who need continuing education courses, legal forms, career development, and other daily work necessities. The frequency and availability of courses varies amongst these associations, and local association membership is generally determined by the location of the broker for which an agent works. Complaints involving agents or brokers may be filed with these associations.

Monitoring of services by these associations is difficult as detailed statistics of the education/services the agencies provide or statistical information pertaining to the members is rarely available. The Monterey County Association of REALTORS® (MCAR) serves the Urban County. Currently, MCAR uses MLSListings, Inc., a collaboration founded in 2007 between several established regional multiple listing services, notably Silicon Valley's RE InfoLink and California's Central Valley MLS. In 2008, MLSListings, Inc. joined with three other Northern California MLS services – San Francisco MLS, Bay Area Real Estate Services, and MetroList Services – in an unprecedented alliance to share multiple listing data throughout Northern California. This alliance serves nearly 50,000 brokers in 19 Northern California Counties, a total population of nearly nine million people.

Complaints against members are handled by the associations. First, all complaints must be in writing. Once a complaint is received, a grievance committee reviews the complaint to decide if it warrants further investigation. If further investigation is necessary, a professional standards hearing with all parties involved takes place. If the member is found guilty of a violation, the member may be expelled from the association, and the California Department of Real Estate is notified.

## B. Fair Housing Practices in the Rental Housing Market

### 1. Rental Process

#### Advertising

The Urban County has an active rental housing market. Many rental properties have low vacancy rates and do not require published advertising. Often, vacancy is announced either via word of mouth of existing tenants or a for-rent sign outside the property. Unless one happens to drive by the neighborhood or have friends or families currently residing at the property, one may not have access to information regarding vacancy. Furthermore, this practice tends to intensify segregation of neighborhoods and properties that already have a high concentration of a racial/ethnic group. When advertising is done, no checks-and-balances mechanism exists to ensure English advertising is provided.

Several rental listings in the Urban County contain potentially discriminatory language. The most common instances involve statements related to family size or the presence children. Some advertisements also contain language emphasizing a no-pet policy (without additional clarifications that service/companion animals are allowed) that could potentially discourage persons with disabilities.

As with ad listings for for-sale homes, rental advertisements should not include discriminatory references. Of a total of 105 rental listings surveyed in February 2013 for the Urban County, 61 advertisements (58 percent of all listings) were found to contain potentially discriminatory language (Table 54). A large portion of the problematic language involves references to household size or children (17 ads or 16 percent of all ads).

Under California's fair housing law, source of income is a protected class. It is, therefore, considered unlawful to prefer, limit, or discriminate against a specific income source for a potential renter. Housing Choice Vouchers (Section 8) is not included as a part of this protected class however, and rental advertisements that specifically exclude Section 8 or Housing Choice Vouchers are considered legal. There was no indication that income-based discrimination was an issue in the Urban County, based on a review of rental listings for the area. Only two advertisements even referenced a potential tenant's income source, and one ad specifically stated that Section 8 would be accepted.

More common in the Urban County were rental advertisements with references to pets. Persons with disabilities are one of the protected classes under fair housing law, and apartments must allow "service animals" and "companion animals," under certain conditions. Service animals are animals that are individually trained to perform tasks for people with disabilities such as guiding people who are blind, alerting people who are deaf, pulling wheelchairs, alerting and protecting a person who is having a seizure, or performing other special tasks. Service animals are working animals, not pets. Companion animals, also referred to as assistive or therapeutic animals, can assist individuals with disabilities in their daily living and, as with service animals, help disabled persons overcome the limitations of their disabilities and the barriers in their environment.

Persons with disabilities have the right to ask their housing provider to make a reasonable accommodation in a “no pets” policy in order to allow for the use of a companion or service animal. However, in the case of rental ads that specifically state “no pets,” some disabled persons may not be aware of their right to ask for an exception to this rule. Because of this, a person with a disability may see themselves as limited in their housing options and a “no pets” policy could, therefore, be interpreted as potentially discriminatory. Of the 105 rental listings surveyed in February 2013, 25 ads (24 percent) included language to specifically ban pets.

A total of 12 ads included language that provided more description of the unit than its physical characteristics or inferred about the potential tenant. For example, a number of these ads used language to target individuals with certain personalities and/or skill sets.

<b>Table 54: Potentially Discriminatory Language in Rental Listings</b>		
<b>Discrimination Type</b>	<b>Number of Listings</b>	<b>Potentially Discriminatory Language<sup>1</sup></b>
No Discriminatory Language	61	n/a
Disability Related	25	<ul style="list-style-type: none"> <li>• No pets.</li> <li>• <b>NO DOGS!</b></li> </ul>
Income Related	2	<ul style="list-style-type: none"> <li>• Executive Home; No rent sharing.</li> <li>• Section 8 Ok.<sup>2</sup></li> </ul>
Household Size/ Family Related	17	<ul style="list-style-type: none"> <li>• This house is available for two people only.</li> <li>• Perfect for couple or small family.</li> <li>• Perfect home for any family!</li> <li>• Big yard and safe neighborhood for kids.</li> <li>• Luxuriously suited for one to two persons.</li> <li>• 2 blocks from Del Rey Oaks grammar school.</li> <li>• The school district is very good and safe.</li> <li>• High school and elementary school close by.</li> <li>• This is the perfect home for a single person, couple, or family.<sup>3</sup></li> </ul>
Miscellaneous	12	<ul style="list-style-type: none"> <li>• Perfect for entertaining your most precious clients.</li> <li>• Looking for one responsible, tidy, quiet, tenant.</li> <li>• Perfect for an independent resourceful person. Must be quiet and non smoking.</li> <li>• Requires independent and quiet person.</li> <li>• Rustic, requires independent renter. Looking for a quiet, resourceful renter.</li> <li>• The person living here must be independent and self reliant, as is rustic and sparse living.</li> <li>• Military Discount. Perfect for a DLI or NPS student.</li> </ul>

Sources: www.craigslist.com, accessed February, 2013.

Notes:

1. Examples are direct quotes from the listings (including punctuation and emphasis).
2. Indicating acceptance of Section 8 infers about income.
3. Referencing to familial or marital status, but excluding unrelated persons living together.



## Responding to Ads

Differential treatment of those responding to advertisements is a growing fair housing concern. In a 2011 study conducted nationally, comprehensive audit-style experiments via email correspondence were used to test for racial discrimination in the rental housing market. This study was particularly unique because it tested for two variables—discrimination based on race *and* social class. By responding to online rental listings using names associated with a particular racial/ethnic group and varying message content grammatically to indicate differing levels of education and/or income (i.e. social class), researchers found that, overall, Blacks continued to experience statistically significant levels of discrimination in the rental housing market. This discrimination was even more pronounced when the housing inquiry was made to look like it originated from a Black individual of a lower social class.<sup>18</sup> While Monterey County was not one of the metropolitan regions included in the study, nearby San Francisco was tested. Compared to other regions nationwide, some of the lowest levels of discrimination were found in San Francisco.

## Viewing the Unit

Viewing the unit is the most obvious place where the potential renters may encounter discrimination because landlords or managers may discriminate based on race or disability, or judge on appearance whether a potential renter is reliable or may violate any of the rules.

In a follow up to the study discussed above, researchers developed an experiment to test for subtle discrimination. Subtle discrimination is defined as unequal treatment between groups that occurs but is difficult to quantify, and may not always be identifiable through common measures such as price differences. Researchers found that, in general, landlords replied faster and with longer messages to inquiries made from white names. The study also found that landlords were more likely to use descriptive language, extend invitations to view a unit, invite further correspondence, use polite language, and make a formal greeting when replying to e-mail inquiries from a white home seeker.<sup>19</sup>

## Credit/Income Check

Landlords may ask potential renters to provide credit references, lists of previous addresses and landlords, and employment history/salary. The criteria for tenant selection, if any, are typically not known to those seeking to rent. Many landlords often use credit history as an excuse when trying to exclude certain groups. Legislation provides for applicants to receive a copy of the report used to evaluate applications.

The study on subtle discrimination mentioned earlier found no statistically significant evidence of discrimination in using language related to fees, asking for employment or rental history, or requesting background information.

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<sup>18</sup> Hanson, Andrew and Zackary Hawley. May 2011. “Do Landlords Discriminate in the Rental Housing Market? Evidence from an Internet Field Experiment in U.S. cities.”

<sup>19</sup> Hanson, Andrew, Zackary Hawley, and Aryn Taylor. September 2011. “Subtle Discrimination in the Rental Housing Market: Evidence from E-mail Correspondence with Landlords.”

## The Lease

Most apartments are rented under either a lease agreement or a month-to-month rental agreement. A lease is favorable from a tenant's point of view for two reasons: the tenant is assured the right to live there for a specific period of time and the tenant has an established rent during that period. Most other provisions of a lease protect the landlord. Information written in a lease or rental agreement includes the rental rate, required deposit, length of occupancy, apartment rules, and termination requirements.

Typically, the lease or rental agreement is a standard form completed for all units within the same building. However, the enforcement of the rules contained in the lease or agreement may not be standard for all tenants. A landlord may choose to strictly enforce the rules for certain tenants based on arbitrary factors, such as race, presence of children, or disability. In recent years, complaints regarding tenant harassment through strict enforcement of lease agreements as a means of evicting tenants have increased significantly.

Lease-related language barriers can impede fair housing choice if landlords and tenants do not speak the same language. In California, applicants and tenants have the right to negotiate lease terms primarily in Spanish, Chinese, Tagalog, Vietnamese or Korean. If a language barrier exists, the landlord must give the tenant a written translation of the proposed lease or rental agreement in the language used in the negotiation before the tenant signs it.<sup>20</sup> This rule applies to lease terms of one month or longer and whether the negotiations are oral or in writing. Also, the landlord must provide the translation whether or not the tenant requests it. The translation must include every term and condition in the lease or rental agreement. A translation is not required if the tenant provides his or her own adult interpreter.

## Security Deposit

A security deposit is typically required. To deter “less-than-desirable” tenants, a landlord may ask for a security deposit higher than for others. Tenants may also face discriminatory treatment when vacating the units. The landlord may choose to return a smaller portion of the security deposit to some tenants, claiming excessive wear and tear. A landlord may also require that persons with disabilities pay an additional pet rent for their service animals, a monthly surcharge for pets, or a deposit, which is also a discriminatory act.

## During the Tenancy

During tenancy, the most common forms of discrimination a tenant may face are based on familial status, race, national origin, sex, or disability. Usually this type of discrimination appears in the form of varying enforcement of rules, overly strict rules for children, excessive occupancy standards, refusal to make a reasonable accommodation for handicapped access, refusal to make necessary repairs, eviction notices, illegal entry, rent increases, or harassment. These actions may be used as a way to force undesirable tenants to move on their own without the landlord having to make an eviction.

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<sup>20</sup> California Civil Code Section 1632(b).

## 4. California Apartment Association

The California Apartment Association (CAA) is the country's largest statewide trade association for rental property owners and managers. The CAA was incorporated in 1941 to serve rental property owners and managers throughout California. CAA represents rental housing owners and professionals who manage more than 1.5 million rental units. Under the umbrella agency, various apartment associations cover specific geographic areas.

The California Apartment Association has developed the California Certified Residential Manager (CCRM) program to provide a comprehensive series of courses geared towards improving the approach, attitude and professional skills of on-site property managers and other interested individuals. The CCRM program consists of 31.5 hours of training that includes fair housing and ethics along with the following nine course topics:

- Preparing the Property for Market
- Professional Leasing Skills and the Application Process
- The Move-in Process, Rent Collection and Notices
- Resident Issues and Ending the Tenancy
- Professional Skills for Supervisors
- Maintenance Management: Maintaining a Property
- Liability and Risk Management: Protecting the Investment
- Fair Housing: It's the Law
- Ethics in Property Management

In order to be certified, one must successfully score 75 percent or higher on the comprehensive CCRM final exam.

The CAA supports the intent of all local, State, and federal fair housing laws for all residents without regard to color, race, religion, sex, marital status, mental or physical disability, age, familial status, sexual orientation, or national origin. Members of the CAA agree to abide by the provisions of their Code for Equal Housing Opportunity.

## 5. The National Association of Residential Property Managers

The National Association of Residential Property Managers (NARPM) promotes a high standard of property management business ethics, professionalism and fair housing practices within the residential property management field. NARPM is an association of real estate professionals who are experienced in managing single-family and small residential properties. Members of the association adhere to a strict Code of Ethics to meet the needs of the community, which include the following duties:

- Protect the public from fraud, misrepresentation, and unethical practices of property managers.
- Adhere to the Federal Fair Housing statutes.
- Protect the fiduciary relationship of the client.
- Treat all tenants professionally and ethically.
- Manage the property in accordance with the safety and habitability standards of the community.
- Hold all funds received in compliance with state law with full disclosure to the client.

In addition to promoting high standards of business ethics, professionalism and fair housing practices, the Association also certifies its members in the standards and practices of the residential property management industry and promotes continuing professional education.

NARPM offers three designations to qualified property managers and property management firms:

1. Residential Management Professional, RMP ®
2. Master Property Manager, MPM ®
3. Certified Residential Management Company, CRMC ®

Various educational courses are offered as part of attaining these designations including the following fair housing and landlord/tenant law courses:

- Ethics (required for all members every four years)
- Habitability Standards and Maintenance
- Marketing
- Tenancy
- ADA Fair Housing
- Lead-Based Paint Law

## 6. Western Manufactured Housing Communities Association

Western Manufactured Housing Communities Association (WMA) is a nonprofit organization created in 1945 for the exclusive purpose of promoting and protecting the interests of owners, operators and developers of manufactured home communities in California. WMA assists its members in the operations of successful manufactured home communities in today's complex business and regulatory environment. WMA has over 1,700 member parks located in all 58 counties of California.

WMA offers an award winning manager accreditation program as well as numerous continuing education opportunities. The Manufactured Home Community Manager (MCM) program is a manager accreditation program that provides information on effective community operations. WMA's industry experts give managers intensive training on law affecting the industry, maintenance standards, HCD inspections, discrimination, mediation, disaster planning, and a full range of other vital subjects. In addition, WMA offers the following services:

- Toll-free hotline for day-to-day management advice
- Resident Screening Program
- Group Workers' Compensation Program
- Legal Advice
- Industry Referrals
- Manager Referral Service
- Educational seminars on a variety of key topics

## C. Fair Housing Services

In general, fair housing services include the investigation and resolution of housing discrimination complaints, discrimination auditing and testing, and education and outreach, including the dissemination of fair housing information such as written material, workshops, and seminars. Landlord/tenant counseling is another fair housing service that involves informing landlords and tenants of their rights and responsibilities under fair housing law and other consumer protection legislations as well as mediating disputes between tenants and landlords. This section reviews the fair housing services available in the Urban County, the nature and extent of fair housing complaints, and results of fair housing testing/audits.

### 1. Housing Resource Center of Monterey County

The Housing Resource Center of Monterey County (HRC) is a California-based, comprehensive one-stop center for homeownership, rental information and assistance, housing education and credit counseling services. The HRC provides the following housing services to all County residents:

- **Education Programs:** HRC maintains a Workshop Calendar on their website of community events for the programs detailed below.
  - Foreclosure Intervention: efforts address issues such as foreclosure prevention, financial fitness, predatory lending, California foreclosure process and steps, and where to get help.
  - First Time Home-buyers Workshops: topics include, shopping for a home, closing, escrow and title, homeownership programs, knowing your rights, timeline, affordability, and post-purchase counseling.
  - Community Education Programs: the agency provides public education to enable Monterey County residents to locate community resources to address their housing concerns.
  - Tenant Education: including information on shared living arrangements, housing search counseling, and budgeting/money management.
- **Neighborhood Stabilization Program:** HRC assists Monterey County with orientations, counseling, income qualifications, and homebuyer education for this program which aims to revitalize and stabilize communities through the acquisition and rehabilitation of foreclosed homes in neighborhoods that have been impacted by the high rate of foreclosure. Lower and moderate income households who are interested in purchasing homes located in identified areas of greatest need (including the unincorporated County and the City of Gonzales, among others) are eligible for financial assistance (up to \$65,000).

## 2. Legal Services for Seniors

Legal Services for Seniors (LSS) is a California-based organization that serves Monterey County residents who are 60 years of age and older. LSS provides the following fair housing related services free of charge to all elderly County residents:

- Aid with most basic counsel and advice issues up to and including full legal representation in the local Superior Court with legal assistance in the areas of:
  - Health care, Medicare, Medi-Cal and private health insurance problems
  - Security, SSI, and private pension problems
  - Housing rights, landlord/tenant disputes, and other housing issues
  - Advanced Health Care Directives and long-term care problems
  - Simple wills
  - Consumer and debt collection problems
  - Guardianships
  - Elder abuse (financial, social, and physical)
- No income requirements, however, the organization focuses its efforts on the most economically and/or socially needy seniors.
- Provides education, training, and assistance to other County agencies and organizations such as Meals on Wheels, Alliance on Aging, and the Ombudsman who can pass along information of the existence of LSS to homebound and other seniors who may not know about the available services.

Between 2007 and 2012, LSS served 16,322 clients in the County. Among their clients, 52 percent were White, 33 percent were Hispanic, seven percent were Asian, six percent were Black, and two percent were other races. About seven percent of the LSS clients had a disability. Approximately 47 percent of their clients were female-headed households, of which 22 percent were considered to be living in poverty. LSS handles a range of issues for seniors; about 17 percent of the clients requested assistance in housing-related issues including fair housing.

Representatives from LSS commented that the most frequent fair housing issues the agency has encountered recently were related to housing fraud (especially on foreclosure prevention services) of seniors and non-English speakers.

## 3. California Department of Fair Employment and Housing

The mission of the Department of Fair Employment and Housing (DFEH) is to protect Californians from employment, housing and public accommodation discrimination, and hate violence. To achieve this mission, DFEH tracks and investigates complaints of housing discrimination as well as complaints in the areas of employment, housing, public accommodations and hate violence.

Since 2006, a total of 55 fair housing complaints in Monterey County have been filed with DFEH, nine of which were made within jurisdictions in the Urban County. Among the complaints countywide, most were related to physical disabilities (14 instances) and familial/marital status (nine instances). Discrimination based on sex was also common (eight instances) (Table 55).

**Table 55: Basis for Discrimination of Complaints filed with DFEH - Monterey County (2006-2011)**

Basis of Complaints	County (# of Complaints)	Urban County (# of Complaints)	
		Gonzales	Unincorporated
Physical Disability	14	0	1
Familial/Marital Status	9	0	2
Sex - (harassment, pregnancy, other allegations)	8	2	1
Race	6	0	0
Mental Disability	5	0	0
Association-must be used with another basis	3	0	0
National origin/ancestry	2	0	0
Religion - (Judaism, other)	2	0	0
Retaliation - for appealing	2	1	0
National origin/ancestry - Mexico	2	0	0
Retaliation - for filing	1	2	0
National origin/ancestry - Armenia	1	0	0
Total	55	5	4

Source: California Department of Fair Employment & Housing, 2013.

Note: Each complaint can involve multiple acts of discrimination.

A complaint may involve multiple acts of discrimination and vice versa. A total of 65 acts of discrimination were recorded in Monterey County, six of which were documented within jurisdictions in the Urban County. Eviction (20 instances), harassment (14 instances), refusal to rent and denial of reasonable accommodation/modifications (11 instances each) were the most common discriminatory acts in the County (Table 56).

**Table 56: Acts of Discrimination for Fair Housing Complaints Filed with DFEH - Monterey County (2006-2011)**

Act of Discrimination	County (# of Acts)	Urban County (# of Acts)	
		Gonzales	Unincorporated
Eviction	20	2	0
Harassment	14	2	1
Refusal to Rent	11	0	1
Denied Reasonable Accommodation/Modification	11	0	0
Unequal Terms	8	0	0
Unequal Access to Facilities	1	0	0
Total	65	4	2

Source: California Department of Fair Employment & Housing, 2013.

Note: Each complaint can involve multiple acts of discrimination.

Approximately two-thirds of total fair housing cases (31 cases) in the County were found to have no probable cause and subsequently closed, including all four of the cases filed in the Urban County. An additional eight cases were closed after successful conciliation, while one case was successfully mediated (Table 57).

<b>Table 57: Disposition of Fair Housing Complaints Filed with DFEH - Monterey County (2006-2011)</b>			
<b>Closing Category</b>	<b>County (# of Cases)</b>	<b>Urban County (# of Cases)</b>	
		<b>Gonzales</b>	<b>Unincorporated</b>
No Probable Cause	31	2	4
Successful Conciliation	8	0	0
Processing Waived to Another Agency	2	0	0
Withdrawal With Resolution	2	0	0
Complainant Failed to Cooperate	1	0	0
Accusation Not Issued	1	0	0
Public Hearing Held; Appeal Filed; Commission Order Modified	1	0	0
Successful Mediation	1	0	0
<b>Total</b>	<b>47</b>	<b>2</b>	<b>4</b>

Source: California Department of Fair Employment & Housing, 2013.

Investigations begin with the intake of a complaint. Complainants are first interviewed to collect facts about possible discrimination. Interviews are normally conducted by telephone. If the complaint is accepted for investigation, the DGEH drafts a formal complaint that is signed by the complainant and served. If jurisdictional under federal law, the complaint is also filed with the United States Department of Housing and Urban Development (HUD). As a substantially equivalent agency, DFEH's findings are usually accepted by HUD. The recipient of the complaint (usually a landlord, seller, property manager, seller, or agent) is required to answer and has the opportunity to negotiate resolution with the complainant. If the case is not resolved voluntarily, the DFEH conducts a formal investigation.

If the investigative findings do not show a violation of the law, DFEH will close the case. If investigative findings show a violation of law, the DFEH schedules a formal conciliation conference. During the conciliation conference, the DFEH presents information supporting its belief that there has been a violation and explores options to resolve the complaint. If formal conciliation fails, the DFEH Housing Administrator may recommend litigation. If litigation is required, the case may be heard before the Fair Employment and Housing Commission (FEHC) or in civil court. Potential remedies for cases settled by the FEHC include out-of-pocket losses, injunctive relief, access to the housing previously denied, additional damages for emotional distress, and civil penalties up to \$10,000 for the first violation. Court remedies are identical to FEHC remedies with one exception; instead of civil penalties, a court may award unlimited punitive damages.



#### 4. U.S. Department of Housing and Urban Development

HUD maintains a record of all housing discrimination complaints for jurisdictions, including the County of Monterey. According to the HUD website, any person who feels their housing rights have been violated may submit a complaint to HUD via phone, mail or the Internet. These grievances can be filed on the basis of race, color, national origin, sex, disability, religion, familial status and retaliation. HUD refers complaints to the California DEFH, which has 30 days to address the complaint. As a substantially equivalent agency, DFEH's findings are usually accepted by HUD. Thereafter, HUD tracks the complaint and its issues and outcomes as a “dually filed” complaint.

From 2006 to 2011, 53 fair housing cases were recorded by HUD in Monterey County, seven of which were documented in jurisdictions within the Urban County. Cases involving discrimination based on disability, national origin, and sex status were the most common (Table 58). Cases concerning national race, familial/marital status, retaliation, religion and color were also reported.

**Table 58: Basis for Discrimination of Cases filed with HUD – Monterey County (2006-2011)**

Jurisdiction	Race	Color	National Origin	Sex	Sex Orientation	Disability	Religion	Familial/ Marital Status	Retaliation	Total
Carmel	0	1	1	1	0	2	0	0	0	3
Carmel Valley	0	0	0	0	0	3	0	0	0	3
Castroville	0	0	0	0	0	0	0	1	0	1
Gonzales	0	0	0	2	0	0	0	0	2	2
Greenfield	0	0	0	0	0	2	0	0	0	2
Kings	0	0	0	0	0	1	0	0	0	1
Marina	0	0	0	0	0	4	0	0	0	4
Monterey	1	0	1	0	0	6	1	1	0	9
Moss Landing	0	0	0	0	0	1	0	0	0	1
Pacific Grove	0	0	0	0	0	0	0	1	0	1
Salinas	1	0	5	3	0	7	0	3	2	17
Seaside	4	0	1	0	0	0	1	0	0	6
Soledad	0	0	0	1	0	1	1	0	1	3
Total	6	1	8	7	0	27	3	6	5	53

Source: Department of Housing and Urban Development (HUD), 2013.

A total of 53 fair housing cases were closed in Monterey County between 2006 and 2011, according to HUD. During this time period, six of the closed cases were based on reports from the Urban County jurisdictions. Many of these cases (30 cases) were found to have no probable cause and subsequently closed. An additional 15 cases were closed after successful conciliation or resolution, while no cases were found to have actual cause (Table 59).

**Table 59: Disposition of Fair Housing Cases Filed with HUD - Monterey County (2006-2011)**

Jurisdiction	Conciliated/ Settled	No Cause	Cause	Withdraw After Resolution	FHAP Judicial Dismissal	Complainant Failed to Cooperate	Compensation for Conciliation or Resolution	Total
Carmel	1	2	0	0	0	0	--	3
Carmel Valley	2	1	0	0	0	0	--	3
Castroville	0	1	0	0	0	0	--	1
Gonzales	0	2	0	0	0	0	--	2
Greenfield	1	1	0	0	0	0	--	2
Kings	0	1	0	0	0	0	--	1
Marina	2	2	0	0	0	0	\$1,200	4
Monterey	5	4	0	0	0	0	\$366; \$1,500; \$2,500	9
Moss Landing	0	1	0	0	0	0	--	1
Pacific Grove	0	0	0	1	0	0	\$500	1
Salinas	3	9	0	1	1	3	\$1,000; \$178,675	17
Seaside	1	3	0	1	0	1	--	6
Soledad	0	3	0	0	0	0	--	3
Total	15	30	0	3	1	4	--	53

Source: Department of Housing and Urban Development (HUD), 2013.

## D. Hate Crimes

The **Bane Civil Rights Act** (California Civil Code Section 52.1) provides protection for all people in California from interference by force or threat of force with an individual's constitutional or statutory rights, including a right to equal access to housing. Hate crimes are crimes committed because of a bias against race, religion, disability, ethnicity, or sexual orientation. 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.

To a certain degree, hate crimes are an indicator of the environmental context of discrimination. 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, and the display of offensive hate-motivated material on one's property. The freedoms guaranteed by the U.S. Constitution, such as the freedom of speech, allow hateful rhetoric as long as it does not interfere with the civil rights of others. Only when these incidents escalate can they be considered an actual crime.

Hate crime statistics compiled by the FBI show that a total of 39 hate crimes were committed in Monterey County over a five-year period. FBI data does not document specific areas within the unincorporated County. In the County as a whole, race-based hate crimes were the most prevalent (14 crimes), followed by hate crimes based on sexual orientation (13 crimes) (Table 60). No hate

crimes were documented in Del Rey Oaks during the five-year period from 2007-2011, while only one hate crime based on sexual orientation during the same time period occurred in Gonzales in 2008. Overall, the incidence of reported hate crimes in Monterey County was very low—less than one per 1,000 people (0.04 per 1,000 persons) between 2007 and 2011.

**Table 60: Hate Crimes in Monterey County (2007-2011)**

Basis of Complaints	Race	Religion	Sexual Orientation	Ethnicity	Disability	Total
2007	1	2	3	2	0	8
2008	2	0	5	2	0	9
2009	4	1	0	1	0	6
2010	6	1	1	1	0	9
2011	1	0	4	1	1	7
Total	14	4	13	7	1	39

Source: U.S. Department of Justice Federal Bureau of Investigation, 2007-2011.

## E. NIMBYism

Many people agree that a variety of housing should be available for people with special needs, such as homeless shelters, affordable housing, and group homes for people with disabilities. However, whether or not these types of housing should be located within their own community is another matter. The following discussion on Not-in-My-Back-Yard sentiment (NIMBYism) is not specific to the Urban County and the discussion is included below simply to provide context for the analysis of SB 1721 and SB 2 that concludes this chapter.

NIMBYism can serve as the most significant constraint to the development of affordable or even market-rate multi-family housing. NIMBYism describes opposition by residents and public officials alike to additional or different kinds of housing units in their neighborhoods and communities. The NIMBY syndrome often is widespread, deeply ingrained, easily translatable into political actions, and intentionally exclusionary and growth inhibiting. NIMBY sentiment can reflect concerns about property values, service levels, community ambience, the environment, or public health and safety. It can also reflect racial or ethnic prejudice masquerading under the guise of a legitimate concern. NIMBYism can manifest itself as opposition to specific types of housing, as general opposition to changes in the community, or as opposition to any and all development.

Community opposition to high-density housing, affordable housing, and housing for persons with special needs (disabilities and homeless) is directly linked to the lack of such housing options for residents in need. In particular, community opposition is typically strongest against high-density affordable housing and group homes for persons with mental disabilities.

Community residents who are especially concerned about the influx of members of racial and ethnic minority groups sometimes justify their objections on the basis of supposedly objective impacts like lowered property values and increased service costs. Racial and ethnic prejudice often is one root of NIMBYism, although NIMBY concerns still exist where racial or ethnic differences are not involved. The California legislature has passed various Anti-NIMBYism housing bills to prevent communities from rejecting affordable housing projects, including:

- SB 1721: The bill stipulates that a local agency shall not disapprove an affordable housing development project, including agricultural worker housing, or condition approval, including through the use of design review standards, in a manner that renders the project infeasible for development for the use of very low, low or moderate income households.
- SB 2: Expands the Housing Accountability Act, to prohibit localities from denying a proposal to build an emergency shelter, transitional housing or supportive housing if it is needed and otherwise consistent with the locality's zoning and development standards.



# Chapter 7

## Fair Housing Action Plan

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As a brand new entitlement jurisdiction, this plan represents the Urban County’s first Analysis of Impediments to Fair Housing (AI) report and Fair Housing Action Plan. The following section outlines potential impediments to fair housing that exist within the Urban County and the corresponding actions that will be taken to mitigate or eliminate these impediments.

### A. Impediments Related to Demographics

#### 1. Minority and Low/Moderate Income Concentrations

Certain communities in the Urban County have concentrations of low and moderate income population correlating with the concentration of minority population (see Figure 1: Minority Concentrations on page 15 and Figure 3: Low and Moderate Income Areas on page 38). As illustrated in Figure 1 on page 15, minority concentration areas within the Urban County are located primarily in the eastern portions of the County, including the City of Gonzales. Northern portions of the unincorporated County also have minority concentration areas. Specifically, the CDPs of Boronda, Moss Landing and, Pajaro have significant concentrations of minority residents.

The correlation between minority and low income concentrations suggests that minority households are disproportionately impacted by low income, along with housing issues resulting from low income.

<b>Actions:</b>
<ul style="list-style-type: none"><li>• Expand affordable housing opportunities throughout the Urban County.</li><li>• Promote economic development activities to improve employment skills and create high-paying jobs throughout the Urban County.</li></ul>
<b>Time Frame:</b> Ongoing
<b>Responsible Agencies:</b> Participating jurisdictions
<b>Funding Sources:</b> Various, including CDBG; HOME; and Inclusionary Housing funds



### B. Impediments Related to Access to Resources

#### 1. Public Transit and Access to Public and Supportive Services

Most services are concentrated in Salinas and Monterey. Given the geographic span of the Urban County, rural and remote communities with high concentrations of minority and low income households have difficulty accessing public and supportive services. Many minority and low income households are transit-dependent. Reliance on public transportation to access services in the service hubs may be unrealistic due to the time and costs involved.

Furthermore, public transit is relevant to the issue of fair housing as access to public transit is of paramount importance to households affected by low incomes. Public transit should link lower income persons, who are often transit dependent, to major employers where job opportunities exist. Access to employment via public transportation can reduce welfare usage rates and increase housing mobility, which enables residents to locate housing or employment outside of traditionally lower and moderate income neighborhoods.

As shown in Figure 5: Major Employers and Public Transit on page 62 and Figure 6: Affordable Housing and Public Transit on page 63, most of the County’s major employers and affordable housing developments are also located directly on or adjacent to regional transit routes. However, three assisted developments in the Carmel Valley area and two assisted properties northeast of Castroville are not currently served by regional transit.

<p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Allocate CDBG funds to public and supportive service programs that benefit the geographically underserved communities.</li> <li>• Expand affordable housing opportunities throughout the Urban County.</li> <li>• Work with transit agencies to increase transit services.</li> </ul>
<p><b>Time Frame:</b> Ongoing</p>
<p><b>Responsible Agencies:</b> Participating jurisdictions</p>
<p><b>Funding Sources:</b> Various, including CDBG; HOME; and Inclusionary Housing funds</p>

## 2. Sensitivity Training

Adequate community involvement and representation are important to overcoming and identifying impediments to fair housing or other factors that may restrict access to housing or a decent living environment. Community participation can be limited or enhanced by inaction or actions by a public agency. Furthermore, access to programs and services by residents may be impeded if the public agency staff members are not well trained for sensitivity and diversity issues. Sensitivity training is a form of education that attempts to make a person more aware of oneself and others. Such training often incorporates principles of non-discrimination and cultural diversity.

<p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Offer sensitivity training to City/County staff. An option is to require City/County staff who interact directly with the public on CDBG matters to attend fair housing workshops to be offered by the Urban County’s fair housing service providers.</li> </ul>
<p><b>Time Frame:</b> Ongoing/annually</p>
<p><b>Responsible Agencies:</b> Participating jurisdictions</p>
<p><b>Funding Sources:</b> CDBG/General Fund</p>

## C. Impediments Related to Public Policies

### 1. Housing Element Compliance

A Housing Element found by HCD to be in compliance with State law is presumed to have adequately addressed its policy constraints and fulfilled its planning obligations to provide a range of housing options for all socioeconomic segments of the community. Specifically, the Housing Element law mandates the planning of housing for persons with special needs (including the elderly, disabled, homeless, female-headed households, large households, and farm workers). Special needs households often encounter fair housing issues in the housing market.

According to HCD, the County of Monterey and City of Gonzalez adopted Housing Elements that are in compliance with State law for the 2007-2014 planning period (fourth update cycle). The City of Del Rey Oaks has yet to adopt its fourth cycle Housing Element. The fifth update cycle for jurisdictions within Monterey County is due December 31, 2015.

<b>Actions:</b> <ul style="list-style-type: none"><li>• Update the Housing Elements by December 31, 2015 and pursue certification of compliance by the State Department of Housing and Community Development (HCD).</li></ul>
<b>Time Frame:</b> 2014-2015
<b>Responsible Agencies:</b> Participating jurisdictions
<b>Funding Sources:</b> CDBG and General Fund

### 2. Development Regulations

A jurisdiction's development regulations directly regulate the types of housing that can be located within the community. Restrictive development regulations may limit the range of housing choices available for all but may disproportionately impact the available options for persons with special needs. Furthermore, development regulations should be reviewed and updated periodically to comply with changes in State laws. Review of the development regulations for the Urban County jurisdictions is summarized below. Discussions of this review have been provided in detail under Chapter 5 of this AI report.

#### County of Monterey

- **Use Permit for Multiple-Family Uses:** Monterey County requires a use permit for all housing types exceeding ten units per acre in high density residential zones, including multiple-family uses. Use permit requirements for multiple-family uses within land use designations and zoning districts that have been identified as being suitable for higher density residential land uses may extend the time frame for project review and increase the uncertainty of project approval.
- **SB 2 Compliance (Housing for the Homeless):** The County of Monterey allows emergency or homeless shelters by right in several zones; however, the use is subject to development standards that may exceed those allowed by SB2. The County allows transitional and supportive housing by-right in residential zones, subject to the same



development standards and permitting processes as other residential uses. However, the County does not allow transitional or supportive housing in its agriculture zones, where single-family housing is allowed.

- **Employee Housing Act:** Del Rey Oaks and Gonzales do not have provisions in the Zoning Ordinance that treat housing for six or fewer employees as a regular residential use.

### City of Del Rey Oaks

- **Definition of Family:** The Del Rey Oaks Zoning Ordinance includes a definition of “family” that constitutes a potential impediment to fair housing choice because it limits family to a group of no more than four unrelated persons living together as a single housekeeping unit.
- **Density Bonus:** The density bonus provisions in the Del Rey Oaks Zoning Ordinance are not consistent with State law.
- **Parking Standards:** Multiple-family parking standards in Del Rey Oaks are higher than parking requirements for single-family units and offer little or no distinction between smaller and larger units. Because smaller multiple-family units are often the most suitable type of housing for seniors and persons with disabilities, requiring the same number parking spaces as larger multiple-family units can be a constraint on the construction of units intended to serve these populations.
- **Use Permit for Multiple-Family Use:** Del Rey Oaks requires a use permit for all housing types exceeding ten units per acre in high density residential zones, including multiple-family uses. Use permit requirements for multiple-family uses within land use designations and zoning districts that have been identified as being suitable for higher density residential land uses may extend the time frame for project review and increase the uncertainty of project approval.
- **Second Units:** Del Rey Oaks currently requires a discretionary use permit for second dwelling units. This permit process is inconsistent with State law.
- **Manufactured Housing:** Del Rey Oaks Zoning Ordinance does not explicitly accommodate manufactured housing in single-family residential zoning districts consistent with State law.
- **Residential Care Facilities:** The Lanterman Developmental Disabilities Services Act (Sections 5115 and 5116 of the California Welfare and Institutions Code) declares that mentally and physically disabled persons are entitled to live in normal residential surroundings and that the use of property for the care of six or fewer disabled persons is a residential use for zoning purposes. Del Rey Oaks does not have provisions for residential care facilities of any size in its Zoning Ordinance.
- **SB 2 Compliance (Housing for the Homeless):** Emergency shelters are not permitted in Del Rey Oaks and the Zoning Ordinance does not contain provisions for transitional or supportive housing.
- **Employee Housing Act:** Del Rey Oaks does not have provisions in the Zoning Ordinance that treat housing for six or fewer employees as a regular residential use. The County of Monterey allows commercial agricultural operations; however, the Zoning Ordinance does not treat farm employee housing consistent with the Employee Housing Act.

- **Reasonable Accommodation Procedures:** Del Rey Oaks provides flexibility in development standards on a case-by-case basis; however, the City has not adopted a formal and ministerial process for reviewing reasonable accommodation requests.

City of Gonzales

- **Definition of Dwelling Unit:** The City of Gonzales amended the California Building Code’s definition of “dwelling unit” to include not more than one family or a congregate residence for ten or less persons. The California Building Code definition of “dwelling unit” does not limit occupancy to a specified number of persons. This amendment could impede fair housing choice as it may impose an occupancy standard that could limit housing options for persons with disabilities.
- **Density Bonus:** Density bonus provisions in the Gonzales Zoning Ordinance are not consistent with State law.
- **Residential Care Facilities:** The Lanterman Developmental Disabilities Services Act (Sections 5115 and 5116 of the California Welfare and Institutions Code) declares that mentally and physically disabled persons are entitled to live in normal residential surroundings and that the use of property for the care of six or fewer disabled persons is a residential use for zoning purposes. Gonzales requires a CUP for residential care facilities serving six or fewer clients in some zones.
- **SB 2 Compliance (Housing for the Homeless):** The City of Gonzales allows transitional and supportive housing by-right in residential zones, subject to the same development standards and permitting processes as other residential uses. However, the City does not allow transitional or supportive housing in its agriculture zones, where single-family housing is allowed.
- **Employee Housing Act:** Gonzales does not have provisions in the Zoning Ordinance that treat housing for six or fewer employees as a regular residential use. The City of Gonzales allows commercial agricultural operations; however, the Zoning Ordinance does not treat farm employee housing consistent with the Employee Housing Act

<p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Update the Housing Elements according to statutory deadlines and pursue certification of compliance by the State Department of Housing and Community Development (HCD).</li> <li>• Make appropriate code amendments to address the provision of a range of housing options pursuant to State laws as outlined above and discussed in this AI.</li> </ul>
<p><b>Time Frame:</b> Update Housing Element by December 31, 2015; establish timeline for zoning code revisions in updated Housing Element.</p>
<p><b>Responsible Agencies:</b> Participating jurisdictions</p>
<p><b>Funding Sources:</b> CDBG and General Fund</p>

## D. Impediments Related to Lending Practices

### 1. Monitoring of Lending Practices

In reviewing the Home Mortgage Disclosure Act (HMDA) data, several issues in lending patterns with potential fair housing implications were identified:

- **Discrepancies in Approval Rates by Race:** During 2011, the majority of loan applicants in the unincorporated County were White (67 percent) and approval rates generally increased as household income increased, regardless of the race/ethnicity of the applicant. However, Black applicants, at nearly all income levels, consistently received the lowest approval rates and highest denial rates of all racial/ethnic groups. (Not enough loan applications were filed by households in Del Rey Oaks or Gonzales to further dissect the data by race and income.)
- **Lending Institutions with Higher than Average Approval Rates:** Over half of the top ten lenders in the unincorporated County had approval rates higher than the overall approval rate for all lenders. Specifically, Stearns Lending, Inc., WJ Bradley Mortgage Capital, RMR Financial, Inc., and RPM Mortgage, Inc. all had approval rates greater than 80 percent—about 15 points higher than the overall approval rate for all lenders (66 percent). While high approval rates do not necessarily indicate wrongdoing by a specific institution, they can be a sign of aggressive lending practices on the part of the lender.
- **Fallout and Applications Closed due to Incompleteness:** In mortgage lending, fallout refers to a loan application that is withdrawn by the borrower before the loan is finalized. A significant disparity in fallout could suggest screening, differential processing, HMDA Action misclassification and/or the potential of discouragement of minority applications. Closed applications refer to applications that are closed by the lender due to incompleteness. A high rate of incomplete loans can indicate a lack of financial literacy on the part of the borrower. Insufficient lender assistance during the application process can also lead to high levels of incomplete applications. The lack of lender assistance may be discriminatory in motive or outcome, however, HMDA data cannot be used to prove motive.

During 2011, Prospect Mortgage, LLC and Fremont Bank (both smaller, less known financial institutions) had noticeably high rates of withdrawn and closed applications in the Urban County.

- **Minority Loan Applicants and Smaller Financial Institutions:** Hispanic applicants in the unincorporated County were much more likely to favor smaller, less established financial institutions. Hispanics comprised about 21 percent of the total applicant pool for all lenders in the unincorporated County; however, they made up a substantially higher proportion of the applicant pool for several less prominent financial institutions. Specifically, 72 percent of loan applications to Mason McDuffie Mortgage, 66 percent of applications to WJ Bradley Mortgage, and 60 percent of applications to Stearns Lending, Inc. were submitted by Hispanics.

Black applicants in the unincorporated County did not seem to prefer any one financial institution over any others, but Asian applicants did appear to prefer Provident Funding Associates over other banks. Approximately 19 percent of all loan applications to Provident Funding Associates from the unincorporated County were submitted by Asian applicants; by comparison, Asian applicants made up only six percent of the total applicant pool for all lenders.

While the correlation between minority applicants and smaller banks does not necessarily mean a violation of fair lending laws, it does raise concerns about the equality of access to mortgage financing.

- **Subprime Loans and Minority Applicants:** While HMDA data does not classify loans as subprime, it does track the interest rate spread on loans. Loans with a reported spread are typically referred to as higher-priced or subprime loans. As shown in Table 44 on page 88, the frequency of loans with reported spread has decreased substantially since 2007. By 2011, the issuance of subprime loans in the Urban County had declined dramatically—only a small fraction of loans issued during this time period (under five percent) had a reported spread. However, even though the overall frequency of subprime loans has decreased, Black and Hispanic applicants were still more likely than White and Asian applicants to be the recipient of these subprime loans.
- **Subprime Loans and Financial Institutions:** While subprime lending cannot in and of itself be described as “predatory,” studies have shown a high incidence of predatory lending in the subprime market.<sup>21</sup> Unlike in the prime lending market, overly high approval rates in the subprime market is a potential cause for concern when the target clients are considered high risk. High approval rates may indicate aggressive lending practices. Of top lenders identified in Table 43: Top Lenders by Race/Ethnicity of Applicant (2011) on page 86, Wells Fargo Bank, Stearns Lending, Inc., WJ Bradley Mortgage Capital, Mason McDuffie Mortgage Corp., RMR Financial, Inc., and RPM Mortgage, Inc. had notably high approval rates (over 80 percent).
- **Purchased Loans and Minority Applicants:** “Purchased loans” refers to the practice for originating lenders to minimize their financial risk by selling the loans to other lenders or investors on the secondary market. This practice is a primary contributing factor to the housing market implosion and foreclosure crisis. In the unincorporated County, Black and Hispanic applicants were by far the most likely to have their loans purchased in 2011. Less than 20 percent of conventional home purchase loans for Whites and Asian were purchased in the secondary mortgage market; however, twice as many conventional mortgage loans for Black households (40 percent) were purchased. Black and Hispanic households were also the most likely to have their government-backed home purchase loans purchased on the secondary mortgage market.

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<sup>21</sup> California Reinvestment Committee. November 2001. “Stolen Wealth, Inequities in California’s Subprime Mortgage Market.”

<b>Actions:</b> <ul style="list-style-type: none"> <li>• Provide financial literacy and homebuyer education for Urban County residents.</li> <li>• Coordinate with agencies that provide foreclosure assistance.</li> </ul>
<b>Time Frame:</b> Ongoing
<b>Responsible Agencies:</b> Participating jurisdictions; fair housing service providers
<b>Funding Sources:</b> CDBG; General

## E. Impediments Related to Discrimination

### 1. Discrimination in Home Sale and Rental Listings

A large number of home sale and rental listings in the Urban County contain potentially discriminatory language. The most common instances involve references to families and preferences for “independent” persons (a potential discrimination against person with disabilities).

<b>Actions:</b> <ul style="list-style-type: none"> <li>• Provide fair housing outreach and education to newspapers, listing agencies, real estate associations, apartment owners/managers associations, and homeowners association, etc.</li> </ul>
<b>Time Frame:</b> Ongoing
<b>Responsible Agencies:</b> Fair housing service providers
<b>Funding Sources:</b> CDBG