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CITY OF MERCED

2015 Analysis of Impediments to Fair Housing Choice

City of Merced

Analysis of Impediments to Fair Housing Choice

May 2015

City of Merced
678 W. 18th Street
Merced CA 95340

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CITY OF MERCED'S HONORABLE MAYOR AND COUNCIL:

Mayor: Stan Thurston
Mayor Pro Tempore: Joshua Pedrozo
Council Member: Michael Belluomini
Council Member: Kevin Blake
Council Member: Tony Dossetti
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Section 1

Introduction

Equal access to housing is fundamental to each person in meeting essential needs and pursuing personal, educational, employment or other goals. In recognizing equal housing access as a fundamental right, the federal government and the State of California have both established fair housing choice as a right protected by law.

This report presents a demographic profile of the City of Merced, assesses the extent of housing needs among specific income groups and evaluates the availability of a range of housing choices for residents. This report also analyzes the conditions in the private market and the public sector that could limit the range of housing choices or impede a person's access to housing. As the name of the report suggests, the document reviews "impediments" to fair housing. Although this report also assesses the nature and extent of housing discrimination, it primarily focuses on identifying impediments that could prevent equal housing access and developing solutions to mitigate or remove such impediments.

What Is Fair Housing?

Federal fair housing laws prohibit discrimination in the sale, rental or lease of housing, and in negotiations for real property, based on race, color, religion, sex, national origin, familial status and disability. California fair housing laws build on the federal laws, including age, marital status, ancestry, source of income, sexual orientation and "any arbitrary discrimination" as the protected categories under the laws. The following definition is used for this report:

"Fair housing describes 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, age, marital status, familial status, source of income, sexual orientation or any other arbitrary factor."

Fair Housing Legal Framework

The federal Fair Housing Act of 1968 and the 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, such as the sale, rental, lease

or negotiation for real property. The Fair Housing Act prohibits discrimination based on race, color, religion, sex and national origin.

In 1988, the Fair Housing Act was amended to extend protection to familial status and people with disabilities (mental or physical). In addition, the Amendments Act provides for “reasonable accommodations,” allowing structural modifications for persons with disabilities, if requested, at their own expense, for multi-family dwellings to accommodate the physically disabled.

The California 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; Part 2.8 of the California Government Code, Sections 12900-12996) prohibits discrimination and harassment in housing practices.

The Unruh Act (California Government Code Section 51) protects Californians from discrimination in public accommodations and requires equal access to the accommodations. The Unruh Act provides broad protection and has been held by the courts to prohibit any arbitrary discrimination on the basis of personal characteristics or traits, and applies to a range of types of housing.

The Ralph Civil Rights Act (California Civil Code Section 51.7) prohibits violence and threats of violence and specifies that housing situations are protected under this Act, including houses, apartments, hotels, boarding housing and condominiums. Violators of the Ralph Act can be sued for actual or emotional damages, in addition to civil penalties.

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.

In addition to these acts, California Government Code Sections 111135, 65008 and 65589.5 prohibit discrimination in programs funded by the state and in any land-use decisions.¹

¹Fair Housing Hotline Project, Legal Services of Northern California. March 2004. “Fair Housing in California: Families with Children: A Manual for Housing Providers, Tenants and Advocates.”

Housing Issues, Affordability and Fair Housing

The U.S. Department of Housing and Urban Development (HUD) Fair Housing and Equal Opportunity Division distinguishes 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 treatment 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 one or both parties regarding their rights and responsibilities. Tenant/landlord disputes and housing discrimination cross paths when fair housing laws are violated and result in differential treatment.

What Is an Impediment to Fair Housing Choice?

According to HUD's *Fair Housing Planning Guide*, and based within the legal framework of federal and state laws, impediments to fair housing choice are

- Any actions, omissions or decisions taken because of race, color, ancestry, national origin, religion, sex, disability, age, marital status, familial status, source of income, sexual orientation or any other arbitrary factor that restricts housing choices or the availability of housing choices, or
- Any actions, omissions or decisions that 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, age, marital status, familial status, source of income, sexual orientation or any other arbitrary factor.

To affirmatively promote equal housing opportunity, a community must work to remove impediments to fair housing choice. Furthermore, eligibility for certain federal funds requires compliance with federal fair housing laws. Specifically, to receive HUD Community Planning and Development (CPD) formula grants, a jurisdiction must

- Certify its commitment to actively further fair housing choice.
- Maintain fair housing records.
- Conduct an analysis of impediments to fair housing choice.

Purpose of Report

This Analysis of Impediments (AI) to Fair Housing Choice provides an overview of laws, regulations, conditions and other possible obstacles that could affect an individual's or household's access to housing in Merced. The AI includes

- A comprehensive review of Merced's laws, regulations and administrative policies, procedures and practices, as well as an assessment of how they affect the location, availability and accessibility of housing, and
- An assessment of conditions, both public and private, affecting fair housing choice.

The scope of analysis and the format used for this AI adhere to recommendations contained in the *Fair Housing Planning Guide* developed by HUD.

Organization of Report

The AI is divided into six sections:

Section 1: The Introduction defines *fair housing* and explains the purpose of this report.

Section 2: The Jurisdictional Background Data presents the demographic, housing and income characteristics of Merced. Major employers and transportation access to job centers are identified. The relationships among these variables are discussed.

Section 3: Mortgage Lending Practices analyzes private activities that could impede fair housing choices in Merced.

Section 4: Public Policies and Practices evaluates various public policies and actions that could impede fair housing choices in Merced.

Section 5: Fair Housing Practices evaluates the fair housing services available to residents and identifies fair housing complaints and violations in Merced.

Section 6: Conclusions, Impediments and Actions provides conclusions and recommendations about fair housing issues in Merced.

At the end of this report, a page is attached that includes the endorsement of the City Manager and a statement certifying that the AI represents Merced's

official conclusions regarding impediments to fair housing choice and the actions necessary to address identified impediments.

Reporting Staff and Data Sources

This report, prepared through a collaborative effort between City staff and The Ramsay Group, LLC, under contract to the City of Merced, is funded through Community Development Block Grant (CDBG) funds.

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

- California Department of Finance Population and Housing Estimates
- City of Merced's Consolidated Action Plan
- City of Merced's 5 Year Consolidated Plan
- City of Merced's General Plan
- City of Merced's Housing Element
- Home Mortgage Disclosure Act (HMDA) data regarding lending patterns
- U.S. Census Bureau American Community Survey
- U.S. Census 2000 and 2010

Public Participation

This AI Report has been developed to provide an overview of laws, regulations, conditions or other possible obstacles that could 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 that the report responds to community needs, the development of the AI includes a community outreach program consisting of a community advisory committee, a resident survey, service provider interviews, and City Council and Planning Commission public hearings.

Community Advisory Meetings

Merced residents and public and private agencies either directly or indirectly involved with fair housing issues in Merced were invited to participate in four community advisory committee meetings.

The meetings provided the opportunity for the Merced community to gain awareness of fair housing laws and for residents and service agencies to share fair housing issues and concerns. To ensure that the fair housing concerns of

low- and moderate-income and special needs residents were addressed, individual invitation letters were distributed via mail and e-mail, if available, to agencies and organizations that serve the low- and moderate-income and special needs community. Agencies and organizations that were invited and contributed directly to this report.

Meeting times and dates were placed in Merced's newspaper and posted conspicuously at City Hall. Due to extensive outreach efforts, attendance at the public meetings included several service providers and citizen groups that work with residents considered a protected class according to HUD's definition. These community members and service providers supplied first-hand insight into fair housing issues and concerns.

Resident Survey

To supplement the citizen advisory meetings, a survey was made available to Merced residents at City Hall as well as online at the City's Web site. Spanish versions of the survey were also provided to reflect the diversity of Merced's residents. During the 8 week survey period, completed surveys were submitted by 26 Merced residents.

Public Review

During a 30-day public review period, the draft AI document was made available at the following locations:

- Merced City Hall
- Merced Public Library
- City of Merced Web site ([http://www. http://ci.Merced.ca.us](http://www.ci.Merced.ca.us))

Notice of public review was published in Merced's Newspaper. In addition, all persons that attended the community advisory meetings were informed of the public review document on the City's Web site and asked to provide any further comments for incorporation.

Section 2

Jurisdictional Background Data

The City of Merced is located in the Central Valley of California. It is approximately 104 miles (167.4 km) southeast of Sacramento, 53 miles (85.3 km) northwest of Fresno, and 112 miles (180.2 km) southeast of San Francisco at an elevation of 171 feet (52 m). The population was 78,953 in 2012, up from 63,893 at the 2000 census.



Merced is a charter City that operates under the council-manager form of government. It is Merced County's largest of six incorporated cities, which include Atwater, Livingston, Los Baños, Gustine, and Dos Palos.

Merced's major industry has traditionally been agriculture but with the presence of Castle Air Force Base, over the past 20 years a more diversified industry entered the area. Merced's four school districts, Merced City, Weaver Union, Merced River, and Merced Union High currently operate sixteen elementary schools, six middle schools, eight comprehensive high schools and two alternative high schools. The city has its own police and fire department, EMS services are privately provided for the whole county by local company, Riggs Ambulance Service.

Demographic Data

The primary sources for the demographic data used to prepare the AI were the U.S. Census Bureau, the American Community Survey and the California Department of Finance.

Table 2-1
Population by Race for the City of Merced

Race	City	State	National
White	52.2% 41,117 people	57.6% 21,453,934 people	72.4% 223,553,265 people
Hispanic	49.6% 39,140 people	37.6% 14,013,719 people	16.3% 50,477,594 people
Asian	11.8% 9,342 people	13.0% 4,861,007 people	4.8% 14,674,252 people
Black or African American	6.3% 4,958 people	6.2% 2,299,072 people	12.6% 38,929,319 people
Two or more races	5.5% 4,350 people	4.9% 1,815,384 people	2.9% 9,009,073 people
American Indian and Alaska Native	1.5% 1,153 people	1.0% 362,801 people	0.9% 2,932,248 people
Native Hawaiian or Pacific Islander	0.2% 174 people	0.4% 144,386 people	0.2% 540,013 people

Source: U.S. Census Bureau, 2010 Census.

As illustrated in table 2-1 above, the 2010 United States Census reported that Merced had a population of 78,958. The population density was 3,386.4 people per square mile (1,307.5/km²). The racial makeup of Merced was 41,117 (52.2%) White (including Hispanic or Latinos who identify as White), 4,958 (6.3%) African American, 1,153 (1.5%) Native American, 9,342 (11.8%) Asian, 174 (0.2%) Pacific Islander, 17,804 (22.5%) from other races, and 4,350 (5.5%) from two or more races. Hispanic or Latino of any race were 39,140 persons (49.6%).

The segment with the highest percentage of population is Hispanic, accounting for 49.6% of the Merced, CA population. This is nearly 10% more than the State's percentage (37.6%) and three times the national average (16.3%). The second largest group is White, who make up 22.1% of the local population.

The Census reported that 77,878 people (98.6% of the population) lived in households, 492 (0.6%) lived in non-institutionalized group quarters, and 588 (0.7%) were institutionalized.

There were 24,899 households, out of which 11,484 (46.1%) had children under the age of 18 living in them, 10,958 (44.0%) were opposite-sex married couples living together, 4,921 (19.8%) had a female householder with no

husband present, 1,941 (7.8%) had a male householder with no wife present. There were 2,156 (8.7%) unmarried opposite-sex partnerships, and 167 (0.7%) same-sex married couples or partnerships. 5,356 households (21.5%) were made up of individuals and 1,823 (7.3%) had someone living alone who was 65 years of age or older. The average household size was 3.13. There were 17,820 families (71.6% of all households); the average family size was 3.65.

The population was spread out with 25,091 people (31.8%) under the age of 18, 10,475 people (13.3%) aged 18 to 24, 20,986 people (26.6%) aged 25 to 44, 15,484 people (19.6%) aged 45 to 64, and 6,922 people (8.8%) who were 65 years of age or older. The median age was 28.1 years. For every 100 females there were 96.3 males. For every 100 females age 18 and over, there were 93.6 males.

There were 27,446 housing units at an average density of 1,177.1 per square mile (454.5/km²), of which 10,637 (42.7%) were owner-occupied, and 14,262 (57.3%) were occupied by renters. The homeowner vacancy rate was 3.5%; the rental vacancy rate was 8.5%. 31,690 people (40.7% of the population) lived in owner-occupied housing units and 46,188 people (59.3%) lived in rental housing units.

Table 2-2 provides a perspective of the City's population by age distribution. People aged < 25 were the largest group, representing 45% of the total population and nearly 10 percentage points higher than State and national levels. Nearly 75% of the population is 44 years of age or younger, further illustrating Merced as a youthful City. Conversely, people > 64 years were the smallest group, representing only 8.8% of the population.

Table 2-2
Age Distribution Profile of the City of Merced

Age	City	State	National
< 25	45.0% 35,566 people	35.5% 13,217,991 people	34.0% 104,853,555 people
25 - 44	29.6% 23,377 people	31.8% 11,848,422 people	30.3% 93,634,060 people
45 - 64	19.6% 15,484 people	24.9% 9,288,864 people	26.4% 81,489,445 people
> 64	8.8% 6,922 people	11.4% 4,246,514 people	13.0% 40,267,984 people

Source: U.S. Census Bureau, 2010 Census.

Analyzing the age distribution is important because it affects the future need for jobs, housing and other social services. Also, because nearly half (45.0%) of the City's 2010 population was under the age of 25, future growth planning may need to include additional schools, entry-level jobs and starter homes.

Income Data

Household income is the most important factor determining a household's ability to balance housing costs with other basic life necessities. Although 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 issues.

Estimated median household income in 2011 for Merced residents was \$38,546, increasing from \$30,429 in 2000. However, it was significant lower than the State's median income of \$57,287.

The City's income distribution is indexed to the Area Median Income (AMI) to provide a comparison of changes in Merced over time and relative to the larger county area and/or state area.

To analyze income distribution, households are put into different income groups. HUD defines four categories of income households adjusted for household size:

- Extremely low income households with incomes equal to 30 percent or less of the AMI
- Very low income households with incomes of 31 percent to 50 percent of the AMI
- Low-income households with incomes of 51 percent to 80 percent of the AMI
- Moderate-income households with incomes of 80 percent to 120 percent of the AMI

For planning purposes, HUD-developed Housing Affordability Strategy (CHAS) Data to provide special income data in relation to the area median income (AMI). According to the CHAS data, income distribution was as follows:

- 15 percent of Merced households were extremely low income (0-30 percent of AMI).
- 14 percent were low income (31-50 percent of AMI)
- 19 percent were moderate income (51-80 percent of AMI).

The remaining 52 percent of households in Merced had incomes above 80 percent of the county median income.

Table 2-3 shows the distribution of household incomes for the City of Merced by race, California and the United States, based on Census income data for 2010. At \$40,430, the segment with the highest income are Native Hawaiian or Pacific Islander people, even though they represent only 0.2 percent of the entire population.

Table 2-3
Household Income Distribution by Race (2010)

Race	City	State	National
Native Hawaiian or Pacific Islander	\$40,430 High	\$30,711 Very High	\$26,563 National Average
White	\$24,580 Low	\$33,383 High	\$31,133 National Average
Asian	\$22,705 Very Low	\$37,759 Very High	\$34,418 National Average
Black or African American	\$18,636 Very Low	\$31,285 High	\$25,062 National Average
Hispanic	\$16,544 Very Low	\$21,722 High	\$21,505 National Average
Two or more races	\$12,358 Very Low	\$25,945 Very High	\$22,664 National Average
American Indian and Alaska Native	\$10,245 Very Low	\$24,373 High	\$21,510 National Average

Source: U.S. Census Bureau, 2010 Census.

Housing Needs for Low Income Households

Many cities use federal and/or state financial assistance to increase the supply of affordable housing for low-income families. Although assistance is offered and available, the amount is a mere fraction of what is truly needed to accommodate housing for extremely low, very low and low-income households.

State Housing Element Law requires that cities and counties address housing for all segments of the population including those that are lower income. The Merced County Association of Governments (MCAG), through the Regional Housing Needs Assessment, details, by income category, the new housing needs for all income categories. As seen in Table 2-4, in an assessment for the regional housing need determination for housing element updates, Merced's projected regional need was for 16,584 total housing units for the period of 2007-2014. Of this amount, 3,800 units are allocated for very low income units (22.9 percent), 2,766 for low income units (16.7 percent), 3,197 for

moderate income units (19.3 percent), and 6,820 units allocated for above moderate income categories (41.1 percent).

Table 2-4
HCD Regional Housing Need Determination: MCAG, Projection Period: January 1, 2007 through June 30, 2014

2007-2014 Final Draft RHNA Allocations by Income Category

Projection Period January 1, 2007 - June 30, 2014		Very Low Income		Low Income		Affordable Allocation (Combined Low + Very Low Income)		Moderate Income		Above Moderate Income	
	Total RHNA Allocation	Units	% of Total RHNA	Units	% of Total RHNA	Units	% of Total RHNA	Units	% of Total RHNA	Units	% of Total RHNA
Atwater	2,381	517	21.7%	402	16.9%	919	38.6%	488	20.5%	974	40.9%
Dos Palos	186	51	27.4%	37	19.9%	88	47.3%	29	15.6%	68	36.6%
Gustine	202	55	27.2%	26	12.9%	81	40.1%	33	16.3%	88	43.6%
Livingston	375	86	22.9%	83	22.1%	169	45.1%	75	20.0%	131	34.9%
Los Baños	3,000	525	17.5%	403	13.4%	928	30.9%	602	20.1%	1,470	49.0%
Merced	3,076	918	29.8%	574	18.7%	1,492	48.5%	540	17.6%	1,044	33.9%
Merced County	7,364	1,648	22.4%	1,241	16.9%	2,889	39.2%	1,430	19.4%	3,045	41.3%
Total	16,584	3,800	22.9%	2,766	16.7%	6,566	39.6%	3,197	19.3%	6,820	41.1%

Source: Merced County Association of Governments, Merced County Regional Housing Needs Allocation Plan 2007-2014.

In comparison as seen in Table 2-5, Merced's projected regional need was for 15,850 total housing units for the period of 2014-2023. Of this amount, 3,850 units are allocated for very low income units (24.3 percent), 2,740 for low income units (17.3 percent), 2,535 for moderate income units (16.0 percent), and 6,725 units allocated for above moderate income categories (42.4 percent).

Table 2-5

HCD REGIONAL HOUSING NEED DETERMINATION: Merced CAG Projection Period: January 1, 2014 through December 31, 2023		
Income Category	Percent	Regional Housing Need (rounded) ⁽¹⁾
Very-Low	24.3%	3,850
Low	17.3%	2,740
Moderate	16.0%	2,535
Above-Moderate	42.4%	6,725
Total	100.0% ⁽²⁾	15,850 ⁽³⁾

Source: Merced County Association of Governments, HCD Regional Housing Need Determination: Merced MCAG- December 2013.

The terms *extremely low*, *very low*, *low* and *moderate income* are most often associated with the California Health and Safety Code or HUD definitions. The state's low-income levels tend to be slightly higher than those of HUD. In either case, the income levels set the assistance threshold for many of the housing programs offered by the state or HUD.

Employment Data

Like many cities across the country and particularly in California, Merced has been significantly affected by the economic downturn of recent years. According to the California Employment Development Department, in December 2010, Merced had 20,200 residents in the labor force with 7,700 employed, resulting in an unemployment rate of 38.3 percent. This number may be higher than nonagricultural communities due to seasonal farm workers.

According to the 2010 Census, more than a third of Merced's labor force held jobs in the natural resources, construction, and maintenance industry, which were significantly higher than state and national percentages. These occupations traditionally generate either lower-paying wages or seasonal jobs than other industries, resulting in a greater need for affordable housing. Table 2-6 below shows the distribution of occupations by Merced residents in 2010.

Table 2-6
Employment by Occupation in the City of Merced

Occupation	City	State	USA
Sales and office occupations	24.3%	25.4%	25.4% National Average
Service occupations	19.4%	17.4%	17.1% National Average
Natural resources, construction, and maintenance occupations	15.0%	9.9%	9.8% National Average
Production, transportation, and material moving occupations	14.5%	11.1%	12.4% National Average
Education, legal, community service, arts, and media occupations	11.7%	10.8%	10.6% National Average
Management, business, and financial occupations	8.1%	15.0%	14.3% National Average
Healthcare practitioners and technical occupations	4.3%	4.4%	5.2% National Average
Computer, engineering, and science occupations	2.6%	6.0%	5.2% National Average

Source: U.S. Census Bureau, 2010 Census.

Housing Profile

The age of housing is commonly used by State and federal agencies as a factor in estimating rehabilitation needs. Typically, most homes begin to require major repairs or have significant rehabilitation needs at 30 to 40 years of age. It is important to note the potential rehabilitation needs of rental housing in Merced because this is where low-income families tend to reside due to affordability. It is of particular interest to the City to monitor all housing built prior to 1980 for lead paint and other hazardous or structurally unsafe housing issues.

If not properly and regularly maintained, housing can deteriorate and discourage reinvestment, depress neighboring property values, and eventually affect the quality of life in a neighborhood. Half of the City's

housing stock was built more than 30 years ago. The median year of housing built in Merced is 1980.

Table 2-7
Composition of Housing Stock in the City of Merced (2010)

	Total Housing Units	Median Year Built	% Built Prior to 1980	% Built Prior to 1970
City of Merced	26,562	1980	50.9%	31.5%
Merced County	83,089	1980	50.2%	33.6%

Source: U.S. Census Bureau, 2006-2010 American Community Survey 5-Year Estimates.

Housing Conditions

The City rigorously pursues code enforcement and offers a housing rehabilitation program to improve and maintain the housing stock (funded with State funds) and promotes and facilitates housing for low and moderate income households. The City also evaluates proposals from developers for assistance from the City of Merced for new housing construction as well as for the rehabilitation of existing housing units.

The condition of a city's housing stock is not in itself an impediment to fair housing. However, for many low-income families, substandard housing is the only housing available at an affordable price. One indicator of substandard housing is the age of a city's housing stock.

Substandard housing issues can include structural hazards, poor construction, faulty wiring or plumbing, fire hazards, and inadequate sanitation or facilities for living. In 2009, an Existing Housing Conditions Survey was conducted for the City. The analysis concluded that approximately 28.9 percent of housing structures need some form of repair. Of these, 11.7 percent of the housing structures were reported to need very minor repairs, whereas 13.7 percent of structures were identified as needing moderate to major repairs. Units that required extensive repairs or had viable structure problems represented 2.7 percent of housing structures. Dilapidated or uninhabitable structures accounted for 0.8 percent of the total units analyzed (Merced Vision 2030 General Plan, 2012).

Housing conditions tend to disproportionately impact lower income households due to costs of repairs. Table 2-8 below represents the extent of housing problems in the City. Households that are less than 80% of the area median income represent 74% (8,900) of all reported (12,005) housing problems.

Table 2-8
Reported Housing Problems in the City of Merced (2010)

Income by Housing Problems (Owners and Renters)	Household has 1 of 4 Housing Problems	Household has none of 4 Housing Problems	Cost Burden not available	Total
Household Income <= 30% HAMFI	3,125	310	350	3,785
Household Income >30% to <=50% HAMFI	2,920	650	0	3,570
Household Income >50% to <=80% HAMFI	2,855	1,850	0	4,705
Household Income >80% to <=100% HAMFI	970	995	0	1,965
Household Income >100% HAMFI	2,135	7,865	0	10,000
Total	12,005	11,670	350	24,025

Source: 2007-2011 HUD CHAS Data.

Future Housing Needs

Article 10.6 of the Government Code Section 65580-65590 requires all California localities to adopt a Housing Element as part of their general plan. MCAG is responsible for providing Merced with an adopted Regional Housing Needs Assessment for incorporation into the City's Housing Element. The Housing Element serves as a planning document for public officials and community residents. The Housing Element, which is part of the City's General Plan, incorporates existing and projected housing needs assessments, site inventory and analysis, an analysis on constraints to housing development, housing programs to be implemented during the planning period and quantified objectives to be met during the planning period.

Special Needs

Individuals with disabilities often have some form of special housing need. Depending on the type of disability, the need may include proximity to transit facilities, retail and commercial services, workplace, parking, handicap ramps,

curb cuts, connecting walkways, lowered sinks, restroom grab bars, wider doorways and the like.

According to the 2010 American Community Survey (ACS) 1 year-estimates, 20.3 percent of the Merced population (15,782 persons) has one or more disabilities. 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.

A safe affordable place to rent or own is essential to achieving independence and enables people with disabilities to be fully integrated participants in the community. However, many persons with disabilities live on fixed incomes and compete with other special needs groups for the limited affordable, decent housing.

Since most disabled persons/households rely on fixed monthly disability incomes that are rarely sufficient to pay market rate rents, supportive housing options, including group housing and shared housing, are important means for meeting the needs of persons with disabilities. Such housing options typically include supportive services onsite to also meet the social needs of persons with disabilities. According to the California Department of Social Services, Community Care Licensing Division, there are nineteen residential care facilities for the elderly, four adult day care centers, and eight adult residential care facilities located in Merced. Combined, these facilities have the capacity to serve 568 persons. Many of these facilities provide housing and services to persons with physical disabilities, while some provide residential care to those with mental or developmental disabilities.

Table 2-9

Licensed Community Care Facilities

Type of Facility	Facilities	Capacity
Adult Day Care	4	185
Adult Residential Care	8	48
Elderly Residential Care	19	335
Total	31	568

Source: California Department of Social Services, Community Care Licensing Division.

Although the 2010 ACS 1 year-estimates provides disability categories, it does not indicate the extent or duration of the disability. However, the statistics are a good indicator of the housing needs for those with disabilities.

HUD refers to those with special needs as individuals with a disabling condition, primarily the existence of a mental or physical challenge that require some form of special housing accommodations in order to live an independent lifestyle.

Elderly and frail persons also fall into this category, as well as those with severe mental disabilities, developmental disabilities, physical disabilities, persons with drug or alcohol addictions, persons with HIV/AIDS and homeless individuals. Many cities also include large families and farmworker housing in the special needs category.

Physically Disabled

Physically disabled people have several unique needs. First, special construction features tailored to a person's disability are necessary to facilitate access and use of housing and public facilities. The location of housing and availability of transportation are also important because disabled people may require access to a variety of social and specialized services. Dial-A-Ride para transit service functions as a transportation safety net for individuals with cognitive or physical disabilities whose impairment prevents their use of, The Bus, Merced's Regional Transit System.

Developmentally Disabled

Many developmentally disabled persons can live and work independently within a conventional housing environment. More severely disabled individuals require a group living environment where supervision and services are provided. The most severely affected individuals may require an institutional environment where medical attention and physical therapy are included. Because developmental disabilities exist before adulthood, the first issue in supportive housing for the developmentally disabled is the transition from the person's living situation as a child to an appropriate level of independence as an adult. Service needs may also include employment training, transportation assistance, and general supportive services as a component of care for persons with developmental disabilities.

Central Valley Regional Center (CVRC) is a private nonprofit corporation whose purpose is to help people affected by developmental disabilities be as self-reliant and fulfilled as possible. CVRC does this by delivering services that offer people opportunities to grow and develop in many ways. CVRC coordinates resources and collaborates with other agencies to develop the best services for clients and families from Merced, Mariposa, Madera, Fresno, Kings and Tulare Counties. In addition, Merced County's Department of Public Health works in collaboration with community organizations to provide services for the developmentally disabled.

Severely Mentally Ill

Mental health services are a primary need for persons who are severely mentally ill. Persons with mental illness without adequate treatment, ongoing support and stable housing are often homeless, use emergency rooms for crisis medical needs, and are disproportionately involved in the criminal justice system. Housing can be an integral part of a system of care for the severely mentally ill because the prime support network and focus of daily living activities is often associated with the residence. The major barrier to stable and decent housing for the seriously mentally ill is the availability of affordable housing. A majority of persons in this population depend solely on Supplemental Security Income (SSI). Without affordable housing, severely mentally ill persons are at greater risk of becoming homeless or living in unstable or substandard housing situations.

According to the City of Merced's 2010-2015 Consolidated Plan: 2010 Annual Action Plan Merced County's Department of Public Health is the primary resources for the mentally ill. The Health Department operates Project Home Start, which provides permanent supportive housing to four chronically homeless, mental health clients. This program, which was implemented in 2007, has been very successful.

The Department estimates that there are approximately 400 people in the County with some degree of mental illness who are in need of supportive housing service. The Mental Health Department remains committed to working with homeless, mentally ill adults to transition into stable, productive and meaningful lives. They have several programs that assist the mentally ill with transitioning into the community. Although not all of them deal directly with providing housing, the ultimate goal is to insure that the mentally ill don't end up being homeless. It is estimated that there is an adequate amount of existing facilities within the City to serve this population.

The State of California has removed any City discretion for review of small group homes (six or fewer residents), and the City does not impose any additional zoning, building code, or permitting procedures other than those allowed by state law. Additionally, large group homes (over 6 residents) for the mentally disabled are allowed as a conditional use in all of the residential zones in Merced. There are no residential zones in Merced that inhibit the development and/or improvement of housing for persons with disabilities².

Persons with HIV/AIDS

For persons living with HIV/AIDS, access to safe, affordable housing is nearly as important to their general health and well-being as access to quality health

² City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.17.

care. For many persons with HIV/AIDS, the persistent shortage of stable housing can be the primary barrier to consistent medical care and treatment. Persons with HIV/AIDS also require a broad range of services, including counseling, medical care, in-home care, transportation, food, in addition to stable housing. Today, persons with HIV/AIDS live longer and require longer provision of services and housing. Research has proven that 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.

The HOPWA Program was established by Housing and Urban Development (HUD) to address the specific needs of persons living with HIV/AIDS and their families. HOPWA funds benefit low-income persons medically diagnosed with HIV/AIDS and their families. In Merced County, the HOPWA program is ran by the Merced County Community Action Agency. The Agency currently provides housing placement and eviction prevention for persons living with HIV/AIDS and their families. They typically provide help to approximately 14 people per year equally approximately \$40,000 in assistance. The Agency also receives fund from the City, it is committed to assisting the agency with obtaining continued funding for these services in any way possible³.

Persons with Alcohol or Other Drug Addiction

Primary services needed by persons with alcohol or other drug addiction include health care and detoxification programs. Many homeless persons use alcohol and drugs and have addiction problems. The patient fees at most treatment centers for substance abuse are expensive and preclude treatment for homeless persons.

The County Department of Mental Health also offers services for persons with alcohol or other drug addictions. There are no current estimates available regarding the total number of persons residing in the City who suffer from such addictions. The County Department of Mental Health has indicated that its two existing residential recovery centers are often full. However, the Department works with other service providers to fill the void. Therefore, the Department is currently meeting the housing needs of these persons and will continue to do so for the foreseeable future⁴.

Victims of Domestic Violence

³ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.19.

⁴ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.18.

In addition to the need for emergency shelter and potential subsequent affordable housing, supportive case management services can be extremely helpful to break the cycle of violence for victims of domestic violence. These services can include counseling, court accompaniment, information and referrals, and personal advocacy. In addition, emergency and/or transitional shelter, in a confidential place, is often necessary to ensure victims' safety.

The Valley Crisis Center (VCC) was established June 2008 by the Mountain Crisis Services. Mountain Crisis Services was founded in 1990 by a small group of community members who were concerned about the problem of domestic violence in Mariposa County. As they grew they opened VCC which was established to ensure that domestic violence and assault services were provided in Merced County. A Woman's Place of Merced County is the main organization providing residents of Merced with domestic violence assistance. A Woman's Place of Merced County offers: a 24-hour crisis line, safe house emergency shelter, emergency transportation, emergency food and clothing, survival tips for battered women, advocacy services, court accompaniment, walk in crisis counseling, group and individual counseling, legal assistance with domestic violence (restraining orders), household establishment assistance, training and community education, referral to other community agencies, prevention programs to Junior High and High School students in the community, support services to sexual assault survivors and their families, and they coordinate a quarterly Law Enforcement Round Table and monthly meeting with the Domestic Violence Response Team.

The City is committed to assisting with the promotion and development of housing facilities should they be requested in the future. The City recognizes that it is critical that successful transitional housing programs provide a wide range of flexible and optional services that reflect the differences and individual needs of battered women and their children (or individually), and that allows victims to choose the course of action that is best for them. Through coordination with non-profit groups that serve these victims, the City supports efforts to seek funding for such programs⁵.

Overcrowded Housing

An overcrowded housing unit is defined as a unit with more than one person per room, excluding bathrooms, kitchens, hallways, and porches. Severe overcrowding is described as households with more than 1.5 persons per room. Unit overcrowding typically results from the combined effect of low earnings and high housing costs in a community, and reflects the inability of households to buy or rent housing that provides a reasonable level of privacy

⁵ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.19.

and space. Low income families often share housing in order to minimize expenses. Also, there is a migrant farm worker population in Merced. According to the California Agricultural Workers Health Survey (CAWHS), nearly half of dwellings occupied by California-hired farm workers are overcrowded, and a quarter are extremely overcrowded.

As indicated in the table below (2008-2012 ACS data), out of 24,120 occupied housing units in Merced 2,079 were overcrowded, 2.7% of owner-occupied units and 5.9% of renter-occupied units being overcrowded.

Table 2-10
Incidence of Overcrowding in the City of Merced

	Merced city, California					
	Occupied housing units		Owner-occupied housing units		Renter-occupied housing units	
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error
Occupied housing units	24,120	+/-584	10,654	+/-569	13,466	+/-676
HOUSEHOLD SIZE						
1-person household	21.9%	+/-1.5	18.7%	+/-2.0	24.4%	+/-2.2
2-person household	28.2%	+/-1.7	32.4%	+/-2.6	24.8%	+/-2.7
3-person household	17.7%	+/-1.7	17.3%	+/-2.1	18.1%	+/-2.5
4-or-more-person household	32.2%	+/-1.9	31.7%	+/-2.8	32.7%	+/-3.0
OCCUPANTS PER ROOM						
1.00 or less occupants per room	91.4%	+/-1.1	93.8%	+/-1.3	89.5%	+/-1.7
1.01 to 1.50 occupants per room	6.4%	+/-0.9	4.6%	+/-1.1	7.8%	+/-1.4
1.51 or more occupants per room	2.2%	+/-0.7	1.6%	+/-0.8	2.7%	+/-1.0

Source: U.S. Census Bureau, 2008-2012 American Community Survey.

Multigenerational households to help cope with rising expenses and the loss of income associated with today's economy is being experienced by the nation as a whole and could explain overcrowding. A U.S. Census Bureau report noted that in 2009, in households where kids lived with either or both parents, nearly 2 million households included both grandparents, another 2.8 million included a grandmother and another 655,000 included a grandfather, for a total of about 5.5 million multigenerational households.

Household Size

Household characteristics also influence housing preferences and needs. For instance, single-person households or seniors often occupy smaller apartments or condominiums due to the lower cost and size of such homes. Families with children often prefer larger single-family homes. Understanding changes in household composition can thus provide insight into current and future housing needs.

Household growth is influenced by marriages, the dissolution of marriages and the number of children entering adulthood. Household growth is also affected by future residents moving to Merced to either find employment or housing. Finally, because households must occupy a housing unit, the rate of new housing construction also influences whether a new household will be established or whether households will consolidate.

Housing Affordability

According to the federal government, rental housing is considered "affordable" if the people living there pay no more than 30 percent of their income for rent. According to mortgage lenders, a home is affordable if the mortgage payment is not more than 35 percent of the borrower's income. So, what's affordable depends on income. According to the 201 Census, 75 percent of extremely low-income households experienced cost burden (spent more than 30 percent of their income on housing). Severe cost burden (spending more than 50 percent of a household's income on housing) was experienced by 57 percent of all extremely low-income households.

Extremely Low-Income (Households with incomes up to 30 percent of AMI)

In the City of Merced, 3,780 households (15 percent of all households) earned less than 30 percent of the county's median income. Of these, 3,125 (83 percent) experienced housing problems (defined as cost burden greater than 30 percent of income and/or overcrowding and/or without complete kitchen

and/or without complete plumbing facilities). Additionally, 87 percent of total households experiencing housing problems were renters compared to 13 percent who were owners. Cost burden was the most common housing problem for all types of households. Overall, 3,085 (82 percent of extremely low-income households experienced cost burden (spent more than 30 percent of their income on housing).

Severe cost burden (spending more than 50 percent of a household's income on housing) was experienced by 73 percent of all extremely low-income households.

Certain household types experienced a greater degree of housing problems and cost burden. Large (90 percent for large renter households and 100 percent for large owner households) and small households (92 percent for small renter households and 83 percent for small owner households) experienced high levels of housing problems when compared to 83 percent for all extremely low-income households in the City. Severe cost burden was most prevalent among large owner (100 percent) and renter (77 percent) households and small owner (71 percent) and renter (86 percent) households when compared to 73 percent for all extremely low-income households in the City.

Low-Income (Households with incomes from 30 to 50 percent of AMI)

In Merced, 3,570 households (14 percent of all households) earned between 30 and 50 percent of the county median income. Of these, 82 percent experienced housing problems. A significantly higher proportion of large (88 percent for large renter households and 86 percent for large owner households) and small renter households (86 percent) experienced housing problems compared with all households in the City (82 percent). Surprisingly, no particular type of low-income household experienced a greater degree of cost burden. Instead all low-income household groups shared the same amount of cost burden (about 40-45 percent), which is not too high for any particular group in comparison with 81 for all low-income households in the City.

Moderate-Income (Households with income between 50 and 80 percent of AMI)

In Merced, 4,705 households (19 percent of all households) earned between 50 and 80 percent of the county median income. Of these, 61 percent experienced housing problems. Owner and renter households experienced similar levels of housing problems (52 and 65 percent, respectively) in this

income category. Overall, 56 percent of moderate-income households experienced cost burden. Severe cost burden was experienced by a small minority of (13 percent) of all moderate-income households. Certain moderate-income household types experienced a greater degree of housing problems and cost burden. Specifically, large households had the highest levels of housing problems. 92 percent of large renter households and 84 percent of large owner- households experienced housing problems compared to 61 percent for all moderate-income households.

No particular type of households experienced the highest levels of cost burden or severe cost burden. All household types fell within 40-55 percent for cost burden, compared to 56 percent for all moderate income households in the City.

Gender and Family Status

Table 2-11 shows single-parent households with children. Single-parent families, particularly female-headed families with children, often require special consideration and assistance because of their greater need for affordable housing and accessible day care, healthcare and other supportive services. Because of their relatively lower income and higher living expenses, female-headed families have comparatively limited opportunities for finding affordable and decent housing. Female-headed families may also be discriminated against in the rental housing market because some landlords are concerned about the ability of these households to make regular rent payments. Consequently, landlords may require more stringent credit checks or higher security deposits for women, which would be a violation of fair housing laws.

Table 2-11
Single-parent households with children

Household Type	Total
Male householder, no wife present with children under 18	1,096
Female householder, no husband with children under 18	3,242

The 2010 Census reported that there were 4,921 female only households, compared to 1,941 male only households in the City of Merced. From the female households 66 percent (3,242) were single-parent households with

children under age 18. From the male only households 56 percent (1,096) were single-parent households with children under age 18. These numbers increased from the 2000 Census, which only reported 2,591 single-parent female households in Merced.

Elderly and Frail Elderly Persons

The population over 65 years of age is considered elderly and presents four main concerns: limited income, higher health care costs, access to transportation, and affordable housing. Elderly persons are usually retired and living on a fixed income. With respect to housing, many seniors live alone and have limited discretionary income to support increasing housing costs. These characteristics indicate a need for smaller, lower-cost housing and easy access to transit and health care.

According to the 2010 Census, Merced had 6,922 seniors, representing 8.8 percent of all residents. According to CHAS data, seniors headed 9 percent (2,160 households) of all households. 44 percent (945 households) of senior households had extremely low to moderate incomes. Of these senior households, 45 percent experienced housing problems such as cost burden or substandard housing. Housing problems were similar for elderly renter and elderly owner households (48 percent compared to 42 percent).

Frail elderly persons are those with a disability that hinders their mobility or prevents them from caring for themselves. In Merced, 6,855 individuals, over half (56.8 percent) of the elderly population had one or more disabilities.

According to the California Department of Social Services, Community Care Licensing Division, there are nineteen residential care facilities for the elderly, four adult day care centers, and eight adult residential care facilities located in Merced. Combined, these facilities have the capacity to serve 568 seniors.

These household and age characteristics of a community indicate current needs and future trends for housing. Because different age groups have different housing needs, housing demand correlates to the age of residents. For example, young adult households may choose to occupy apartments, condominiums and small single-family homes because of affordability, location and no or few children. Middle-age adults may prefer larger homes in which to raise families, whereas seniors may prefer smaller units that have lower costs and are more proximate to services. Age and fair housing intersect when managers or property owners make housing decisions based on the age of residents. For example, managers and property owners may prefer to rent to mature residents, limit the number of children in their complex or discourage older residents due to their disabilities. Although a housing provider may establish reasonable occupancy limits and set

reasonable rules about the behavior of tenants, those rules cannot single out children for restrictions that do not apply also to adults.

Race and Ethnicity

Merced continues to be very ethnically diverse, with Hispanics and Whites representing the largest population groups. In 2000, Hispanics comprised 41 percent of the population followed by Whites (38 percent), Asian/Pacific Islanders (11 percent), and Black/African American's (6 percent). According to the 2010 Census, the Hispanic and Asian populations have continued to grow. As indicated in Table 2-12, the Asian/ Pacific Islander population grew significantly between 2000 and 2010 (27 percent) while the Hispanic/ Latino population saw an even greater increase (48 percent).

Table 2-12
City of Merced Race and Ethnicity Trend

Race/Ethnicity	2000		2010		% Change in Population
	Number	% of Total	Number	% of Total	
Hispanic/Latino Origin	26,425	41.36%	39,140	49.57%	48%
White	24,121	37.75%	23,702	30.02%	-2%
Black/African American	3,864	6.05%	4,483	5.68%	16%
American Indian	368	0.58%	399	0.51%	8%
Asian and Pacific Islander	7,259	11.36%	9,247	11.71%	27%
Other	1,856	2.90%	1,987	2.52%	7%
TOTAL	63,893	100%	78,958	100%	24%

Source: U.S. Census Bureau, 2000 and 2010 Census.

In addition to racial and ethnic components in assessing housing needs, it is important to look at language ability in Merced. This is important to note as foreign-born residents may have difficulty accessing housing due to language barriers or an apartment owner's reluctance to rent housing to an immigrant. In addition, a fair housing concern could arise if a foreign-born resident owns an apartment building and advertises only in his or her native language, thus restricting access only to persons speaking that language. According to the 2010 ACS 1-year estimates, 18.7 percent of residents are foreign born and 41.9 percent speak a language other English at home.

Public Transit System

Public transit information is important to the analysis of impediments to 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 low- and moderate-income neighborhoods. The lack of a relationship between public transit, employment opportunities and affordable housing could 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 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.

Merced offers both a fixed route service and a demand response service for local area residents. The primary fixed route system is known as “The Bus”, Merced’s Regional Transit System. The demand-response service is known as Dial-A-Ride (DAR). Both of these services are maintained and operated within County limits by the Bus, the County’s transit division.

Merced Area Rapid Transit

The Bus was initiated in 1996 as the consolidation of four former local public transit service providers. The Bus is the single service provider for all of Merced County. It is administered and governed by the Transit Joint Powers Authority for Merced County. The Transit Joint Powers Authority is composed of an 11 member board of elected officials, one from each city along with five members of the Board of Supervisors of the County of Merced (The Bus, 2014). The Bus system is comprised of twenty fixed routes covering the entire County. The service offers 30 to 60 minute headways, depending on the route, and includes an average of 12 bus stops per route.

The Bus operates from 5:15am to 11:00pm Monday through Friday, 7:00AM to 7:00PM on Saturdays, 7:30AM to 7:00PM on Sundays and select holidays. The Bus system is designed to accommodate several types of riders. As a reflection of this, the fare structure has special rates for senior citizens, persons with disabilities and children. Table 2-13 shows the current fare structure used by the system:

Table 2-13

The Bus (Merced's Regional Transit System) Fare Structure

Fare Category	Fare Amount
Base Fare	\$1.50 for all local rides
	\$3.00 from any city or community to another
Seniors (age 62 years old or older)/ Persons with disabilities (with an ADA eligibility card) / Medicare Card Holders	1/2 the price of the base fare
Paratransit Rider	\$3.00 local rides
	\$6.00 from any city or community to another
Children Under 46 inches in height	FREE (as long as they are riding with an adult who pays a fare)
Transfer to another local route requiring 2 or more routes (valid up to 1 hour)	FREE
Transfer to an intercity route (DP, G, L, LB, P, or T) that goes to another city or community	\$1.50

Source: The Bus. Merced Transit Authority, CA. 2006-2014.

Dial-A-Ride (DAR)

The DAR service has been operated by the Bus Merced's Regional System. The DAR system's fleet consists of ADA compliant busses. The service is only provided for ADA compliant persons and those aged 65 and over. However, before being able to utilize the service an individual has to apply through the phone or online. If approved they will be notified by mail. DAR serves both the entire City of Merced and the surrounding county areas.

The DAR service features curb-to-curb transit service that requires customers to make a reservation to get service. DAR is generally open for service between 7 a.m. and 9 p.m., however service hours may vary from community to community depending on the demand. For the service, customers are encouraged to call and request a ride up to one week in advance with notice up to 24 hours in advance. For service, customers call the main dispatch phone number to reserve a ride; depending on the availability of drivers and vehicles, dispatch sends a unit to the patron's address. The ask customers to make sure they are ready and waiting for the Bus 15 minutes prior to the requested pickup time. There is a cancellation policy, if the service is no longer needed customers need to call 2 hours prior to their pickup time. Failure to cancel will result in a No-Show. Excessive no-shows that are a pattern result in suspension of riding privileges.

The DAR service offers special fare rates. Table 2-14 illustrates the fare structure used by the DAR system.

Table 2-14
DAR Fare Structure

New fares for THEBUS on Dial-A-Ride	Senior & ADA
1 local ride on the Dial-A-Ride bus <i>(within a City or Community, includes the Winton/Atwater/Merced area)</i>	\$3.00
1 intercity ride on the Dial-A-Ride bus <i>(from any City or Community to another)</i>	\$6.00
1 local ride on the Dial-A-Ride bus using prepaid ADA Multi-Ride Pass* <i>(within a City or Community, includes the Winton/Atwater/Merced area)</i>	\$2.50
1 intercity ride on the Dial-A-Ride bus using prepaid ADA Multi-Ride Pass* <i>(from any City or Community to another)</i>	\$5.00

* \$50 prepaid ADA Multi-Ride Passes will be available to eligible Dial-A-Ride passengers.

Source: The Bus. Merced Transit Authority, CA. 2006-2014.

Section 8 Housing Programs

The Housing Authority of the County of Merced (HACM) administers the Low Income Housing Program. This federally funded program is administered at 549 housing units owned and operated by HACM, 98 of these include single family homes. The units are located throughout Merced, Atwater, Livingston, South Dos Palos, and Los Baños.

In the City HACM administered 251 conventional public housing units in 2005⁶. The City and HACM collaborate to provide and inform residents of the available affordable housing (in the City or countywide) in the following categories: conventional low-income housing, homeownership, resident opportunities for self-sufficiency (ROSS), afterschool programs and activities, family and senior housing, and migrant- farm labor housing.

⁶ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.25.

The City of Merced's 2010-2015 Consolidated Plan: 2010 Annual Action Plan, stated that the City had approved a Conditional Use Permit for the Housing Authority to demolish a number of older rental units and reconstruct 122 townhouses that would be offered for sale to low and moderate-income families. In 2009, 39 of these units were demolished to make way for construction. However, due to the economy and funding issues, the project was delayed. All tenants within the existing rental units were re-located.

The City agreed it would continue to work and collaborate with HACM to preserve and increase the Authority's stock of conventional public housing. The loss of the 39 units of HACM housing to demolition, without any apparent replacement units, is not promising. To help with this shortage, the City may consider using some of its Federal, State, or local rehabilitation and reconstruction resources to assist HACM in providing more affordable units within the City. In addition, the City and HACM will continue to look for other funding sources to help provide more affordable housing, including asking HUD for a larger allocation of vouchers to meet the need for rental subsidies in the City⁷.

The Section 8 Housing Choice Voucher is a rent subsidy program that helps low-income (up to 50 percent AMI) 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 housing authority. Any amount in excess of the payment standard is paid by the voucher recipient.

HACM administers the Section 8 Housing Choice Voucher program. HACM reports that in 2010 there were 1,911 households receiving vouchers in the City of Merced⁸.

Affordable Housing Projects

Apartment projects can receive housing assistance from a variety of sources to ensure that rent is affordable for lower-income households. In exchange for public assistance, owners are typically required to reserve a portion or all of the units as affordable housing for lower-income households. The length-of-use restrictions are dependent on the funding program. These funds are typically used in concert with Low Income Housing Tax Credits (LIHTC) to reduce the debt associated with the project, thereby maximizing affordability.

⁷ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.26.

⁸ City of Merced, 2010-2015 Consolidated Plan: 2010 Annual Action Plan, pp.26.

According to the City of Merced's 2010-2015 Consolidated Plan: 2010 Annual Action Plan, in 2004 three large rental housing projects were developed. The development was supported in a variety of ways with government assistance, possibly including LIHTC. The developments added more than 430 units of affordable 3 and 4 bedroom housing units to the City's rental housing stock.

The LIHTC creates an incentive for private investment in low-income housing development by giving federal tax credits to investors. Private investors, such as banks and corporations, buy the tax credits from the affordable housing developer. The owner/developer uses the proceeds from the sale of the tax credits, known as "equity," to construct or rehabilitate housing. Investors receive a federal tax credit over a 10-year term.

Section 3

Mortgage Lending Practices

A key aspect of fair housing choice is equal access to credit for the purchase or improvement of a home. Lending policies and requirements related to credit history, current credit rating, employment history and the general character of applicants permit lenders to use a great deal of discretion and in the process deny loans even though the prospective borrower would have been an acceptable risk. This section reviews the lending practices of financial institutions and the access to home loans for ethnic minorities of all income groups.

Background

Discriminatory practices in home mortgage lending have evolved in the past 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, ethnic minorities were denied access to home mortgages in ways that severely limited their ability to purchase a home. During the recent rise of the subprime loan market,⁹ discriminatory lending practices became more subtle. By employing high pressure sales practices and deceptive tactics, some mortgage brokers pushed minority borrowers into high-cost subprime

⁹TD Bank Corp. (2007, April 30). *A Primer on the U.S. Sub-Prime Market*. The subprime mortgage market ballooned in 2005 and 2006 to 20 percent–25 percent of all new mortgages, capturing more than twice the market share seen over the prior 10 years.

mortgages that were not well suited to their needs and led to financial problems. According to data from the 2007 Home Mortgage Disclosure Act (HMDA), four of every 10 home purchase mortgages issued to minorities in 2006 were subprime loans—twice the number of subprime loans issued to White borrowers. The pattern and trend of subprime rate lending led to high-cost (subprime) loans and foreclosures concentrated in low-income minority neighborhoods.¹⁰

Legislative Protection

In the past, fair lending practices were not always employed by financial institutions. Credit market distortions and other activities such as redlining prevented some groups from equal access to credit. The passage of the Community Reinvestment Act (CRA) in 1977 was designed to improve access to credit for all members of the community. The CRA is intended to encourage regulated financial institutions to help meet the credit needs of entire communities, including low- and moderate-income neighborhoods. The CRA requires that each insured depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions.

In tandem with the CRA, the HMDA, initially enacted in 1975 and substantially expanded in 1989, required banks to disclose detailed information about their mortgage lending. The law aimed to curb discrimination in such lending to create more equal opportunity to access credit. The disclosure requirement compelled banks, savings and loan associations and other lending institutions to report annually the amounts and geographical distribution of their mortgage applications, origins and purchases disaggregated by race, gender, annual income and other characteristics. The data, collected and disclosed by the Federal Financial Institutions Examination Council (FFIEC), were made available to the public and to financial regulators to determine if lenders were serving the housing needs of the communities where they were located.

Detailed FFIEC data for conventional and government-backed home purchase and home improvement loans in Merced are presented in Tables below. The FFIEC data provide some insights regarding the lending patterns that exist in a community. However, the data are only an indicator of potential problems; the data lack the financial details of the loan terms to conclude definite redlining or discrimination.

¹⁰ Joint Center for Housing Studies of Harvard University. (2009). *The State of the Nation's Housing 2009*.

Conventional versus Government-Backed Financing

Conventional financing involves market-rate loans provided by private lending institutions such as banks, mortgage companies, savings and loan associations and thrift institutions. To assist low- and moderate-income households that might 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 interest and are insured (“backed”) by federal 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 consumers through private lending institutions. Local programs such as first-time homebuyer and rehabilitation programs are not subject to HMDA reporting requirements.

Conventional Loans

According to the Federal Financial Institutions Examination Council's (FFIEC) data for 2013, approximately 749 loans (for a total of \$124,159,000) were originated¹¹. Among all loans originated, 472 were approved and 180 were denied¹².

Race /Ethnic Participation

The level of participation in the housing market by race and ethnicity can assist jurisdictions determine the homeownership needs of certain groups. For example, low number of applications received from a certain group could mean a need for down payment assistance. Or, high rates of denial could mean a need for increased education on the homeownership market.

In 2013, Whites and Hispanics participated in the loan market the most. Whites submitted a total of 760 applications for conventional loans. Of those, only 121 were denied or a 16% denial rate. Hispanics submitted a total of 321 applications for conventional loans. Of those, 71 were denied or a 22% denial rate. Blacks/ African American had the lowest participation rate of all ethnic groups only submitting 18 conventional loan applications. Of those 3 were denied, or 17 % denial rate.

¹¹ Loan origination is the process by which a borrower applies for a new loan, and a lender processes that application. Origination generally includes all the steps from taking a loan application up to disbursement of funds (or declining the application).

¹² Other applications were either closed due to incompleteness or withdrawn.

Table 3-1

LIVELLINGS, BY RACE, ETHNICITY, GENDER AND INCOME OF APPLICANT (2013)

MSA/MD 32900 - MERCED, CA

RACE AND GENDER 5/ 18/ 19/	Applications Received 2013		Loans Originated		Apps. Approved But Not Accepted		Applications Denied		Applications Withdrawn		Files Closed For Incompleteness	
	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's
AMERICAN INDIAN/ALASKA NATIVE (TOTAL)	28	5030	16	2749			6	848	3	426	3	1007
MALE	16	2926	10	1417			2	310	1	194	3	1007
FEMALE	6	1076	2	501			3	459	1	116		
JOINT (MALE/FEMALE)	6	1026	4	831			1	78	1	116		
ASIAN (TOTAL)	75	14125	49	9244	3	545	12	2445	10	1655	1	226
MALE	32	5964	23	4375	1	147	5	970	2	246	1	226
FEMALE	15	2582	7	1236			3	640	5	696		
JOINT (MALE/FEMALE)	28	5579	19	3633	2	398	4	827	3	721		
BLACK OR AFRICAN AMERICAN (TOTAL)	21	3249	14	2550	1	150	2	131	2	281	2	97
MALE	7	1131	6	1081							1	50
FEMALE	8	875	4	650			2	131	1	47	1	47
JOINT (MALE/FEMALE)	6	1243	4	819	1	150			1	234		
NATIVE HAWAIIAN/OTHER PACIFIC ISLAND (TOTAL)	5	913	3	629	1	159	1	125				
MALE	2	284			1	159	1	125				
FEMALE	1	195	1	195								
JOINT (MALE/FEMALE)	2	434	2	434								
WHITE (TOTAL)	1157	191263	803	132854	55	7663	140	24141	131	21934	27	4661
MALE	530	86011	367	58945	21	2709	73	12368	58	9780	11	2209
FEMALE	216	32043	144	22025	12	1558	20	2810	34	4854	6	796
JOINT (MALE/FEMALE)	406	72284	287	50969	23	3396	47	6963	39	7300	10	1656
2 OR MORE MINORITY RACES (TOTAL)	1	447							1	447		
MALE	1	447							1	447		
FEMALE												
JOINT (MALE/FEMALE)												
JOINT (WHITE/MINORITY RACE) (TOTAL)	28	5940	21	4548	1	152	2	593	2	339	2	308
MALE	2	550	2	550								
FEMALE												
JOINT (MALE/FEMALE)	26	5390	19	3998	1	152	2	593	2	339	2	308
RACE NOT AVAILABLE (TOTAL) 6/	67	15851	50	8784	6	1130	9	1740	19	3538	3	609
MALE	35	6315	20	3248			3	413	10	2154	2	500
FEMALE	8	1578	5	894	1	220	1	232	1	232		
JOINT (MALE/FEMALE)	15	2748	8	1786	3	396			3	457	1	109

ked Loans

According to the FFIEC data, approximately 1402 households (for a total of \$2,367,686,000) applied for government-backed loans (FHA, VA, FSA or RHS loans) in the Metropolitan Statistical Area of (MSA) of Merced, California. Among all applications received that year, the number of loans originated was 956, and the number of percentage of applications denied was 172.

Also that year, when broken down by race and ethnicity, participation in the market varied. Whites once again had the highest participation levels, similar to conventional loans, submitting 1,157 government-backed loan applications. Of those, only 141 were denied or a 12% denial rate. Hispanics submitted a total of 789 applications for government backed loans. Of those, 106 were denied or a 13% denial rate. Similar to conventional loans, Blacks/ African American had the lowest participation rate of all ethnic groups only submitting 21 conventional loan applications. Of those 2 were denied, or 10% denial rate.

An analysis of differences in loan approval rates by race/ethnicity and income separately does not always reveal important differences among groups. For this reason, an analysis of lending patterns for race/ethnicity and income together helps reveal differences among applicants of different races/ethnicities of the same income levels. Although this analysis provides a

more in-depth look at lending patterns, it still cannot provide a reason for any discrepancy. Aside from income, many other factors can contribute to the availability of financing, including credit history, the availability and amount of a down payment and knowledge of the home-buying process, among others. The FFIEC data does not provide insight into these and many other factors. However, the City should continue to monitor the approval rates among ethnic groups and continue to take appropriate actions to remove barriers to financing, including credit counseling, down payment assistance and homebuyer education programs.

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 credit 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 nontraditional credit sources might otherwise be 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 have 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 past decade, however, many large and well-known banks became involved in the subprime market either through acquisitions of other firms or by initiating loans that were subprime directly.

Most subprime loans provide families with payments for the first couple of years at a low “teaser” rate. After that, the loans reset every six months or year to a higher, fully indexed rate, which can cost borrowers hundreds of extra dollars each month.¹³ This extra expense has increased the housing cost burden of many families and ultimately resulted in foreclosed homes for many.

¹³ Christie, L. (2007, March 22). Subprime risk: Most vulnerable markets: 2.2 million homeowners are endangered by the subprime crisis. Which markets may be hardest hit? CNN Money.

Although subprime lending cannot in and of itself be equated with predatory lending, studies have shown a high incidence of predatory lending in the subprime market.¹⁴ Unlike in the prime lending market, overly high approval rates in the subprime market are a potential cause for concern when the target clients are considered high risk. Many large banks have also been involved in the subprime market but are not identified as subprime lenders exclusively. The FFIEC data does not provide information on which loans were subprime loans. As such, analysis on this topic is difficult. However, the high approval rate of any lending institution in Merced could indicate a concern related to an overly aggressive lending practice.

Predatory Lending

With an active housing market, potential predatory lending practices by financial institutions could arise. Predatory lending involves abusive loan practices usually targeting minority homeowners or those with less-than-perfect credit histories. The predatory practices typically include high fees, hidden costs, 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 overvalued homes, or fraudulent 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 ethnic minority homeowners are the usual targets. 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 are often 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 as well as discriminatory lending is addressed under the Fair Housing Act of 1968, which requires equal treatment in the terms and conditions of housing opportunities and credit regardless of race, religion, color, national origin,

¹⁴California Reinvestment Committee. (2001, November). *Stolen Wealth: Inequities in California's Subprime Mortgage Market*.

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 were to target ethnic minority or elderly households to buy higher-priced and unequal loan products, treat loans for protected classes differently than those of comparably creditworthy 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 are extremely limited. At present, the FFIEC data are the most comprehensive available for evaluating lending practices. However, as discussed before, the FFIEC data lack the financial details of the loan terms to conclude any kind of predatory lending. Efforts at the national level are pushing for increased reporting requirements in order to curb predatory lending.

Predatory lending and unsound investment practices, which were central to the home foreclosure crisis, have resulted in a credit crunch that has spread well beyond the housing market and is now affecting the cost of credit for local government borrowing, as well as local property tax revenues. The governor of California in June 2009 signed into law Assembly Bill 260, reforming mortgage lending and specifically banning predatory lending practices.

Section 4

Public Policies and Practices

Public policies established at the state, regional and local levels can affect housing development and therefore could have an impact on the range of housing choices available to residents. This section discusses the various public policies that might influence fair housing choice in the City of Merced.

City Policies and Programs Affecting Housing Development

The Merced General Plan Housing Element, Zoning Code, Consolidated Plan, Land Use Element, Action Plan, and other documents have been reviewed to evaluate the following potential impediments to fair housing choice and affordable housing development such as Local zoning, building, occupancy, and health and safety codes; public policies and building approvals that add to the cost of housing development fees

Zoning, Building, Occupancy, and Health and Safety Codes

General Plan and Zoning Ordinance

Higher-density housing reduces land costs on a per-unit basis and thus facilitates the development of affordable housing. Restrictive zoning that requires unusually large lots and building size can substantially increase housing costs and impede housing production. Although housing affordability alone is not a fair housing issue, many low- and moderate-income households are disproportionately concentrated in groups protected under the fair housing laws, such as persons with disabilities and persons of color. When the availability of affordable housing is limited, indirectly affecting the housing choices available to groups protected by fair housing laws, fair housing concerns may arise.

The Zoning Policy in the City of Merced provides for a range of residential development opportunities that are implemented through the City's existing residential zones as shown in Table 4-1 below. Housing supply and costs are affected by the amount of land designated for residential use and the density at which development is permitted.

Table 4-1

Residential Use	ZONING DESIGNATION											
	R-1	R-2	R-3	R-4	R-MH	RP-D	P-D	C-O	C-N	C-C	C-T	C-G
SF - Detached	P	P	P	P		P*	P*	CUP	CUP	CUP		
SF - Attached	P	P	P	P		P*	P*	CUP	CUP	CUP		
2-4 DU		P	P	P		P*	P*	CUP	CUP	CUP		
5+ DU			P	P		CUP	CUP	CUP	CUP	CUP		
Residential Care < 6 people	P	P	P	P	P	P**	P**					
Residential Care > 6 people							CUP					
Emergency Shelters												P***
Manufactured/ Mobile Homes	P	P	P	P	P	P*	P*	CUP	CUP	CUP		
Transitional Housing	P	P	P	P	P	P*	P*	CUP	CUP	CUP		
Farmworker Housing	P	P	P	P	P	P*	P*	CUP	CUP	CUP		
Supportive Housing	P	P	P	P	P	P*	P*	CUP	CUP	CUP		
2nd Unit	P	P	P	P	P	P*	P*					

P = Permitted

CUP = Conditional Use

Permit

*As allowed by density of zone and the Planned Development Standards

**Determined by Planned Development Standards

***Ordinance Amendment pending

Zoning Code is the primary tool for implementing the General Plan. It is designed to protect and promote public health, safety and welfare. The City of Merced's Municipal Code includes residential zoning districts, which control both the use and development standards of specific sites and influence the development of housing within the City.

Although Planned Developments are required to comply with Development Standards as set forth in the City's Zoning Ordinance, require a longer processing time, and may require an upgrade to typical architectural features, the flexibility allowed within a Planned Development allows the developer to build more units. Because there is benefit to both the City and the developer, the City does not see the use of Planned Development zoning as a constraint.

Emergency Shelters, Transitional Housing, Supportive Housing, and Other Group Living

SB 2, passed in 2007 and effective as of January 1, 2008, amended State housing law (California Government Code Sections 65582, 65583, and 65589.5) regarding shelter for homeless persons. This legislation requires local jurisdictions to strengthen provisions for addressing the housing needs of homeless persons, including the identification of a zone or zones where emergency shelters are allowed as a permitted use without a conditional use permit.

While SB2 added specific new requirements for local governments to meet in terms of planning for emergency shelter facilities, Government Code Section 65583(a)(5) also states that "transitional housing and supportive housing shall be considered a residential use of property, and shall be subject only to those restrictions that apply to other residential dwellings of the same type in the same zone."

As previously mentioned in this section the City will process an Ordinance Amendment amending the Zoning Ordinance to allow Emergency Shelters as a permitted use in a General Commercial (C-G) zone. Until the Zoning Ordinance is amended, the requirement for a Conditional Use Permit is considered a constraint. However, once the Zoning Ordinance is amended, the constraint will be removed

The City currently complies with the requirements for transitional and supportive housing. These types of housing are allowed in all residential zones and therefore are not a constraint to housing.

Table 4-2
AREA, LOT, AND YARD REQUIREMENTS FOR SINGLE-FAMILY HOMES

ZONING DISTRICTS				
	R-1-20	R-1-10	R-1-6	R-1-5
Lot area (in square feet)	20,000	10,000	6,000	5,000
Area per dwelling unit (in square feet)	20,000	10,000	6,000	5,000
Minimum lot width (in feet)	85	70	60 (interior) 65 (corner)	50 (interior) 55 (corner)
Minimum lot depth (in feet)	125	100	100	80
Exterior yards (in feet) (except cul-de-sac bulbs)	30	20	20	15 (20 feet for garages)
Exterior yards—Cul-de-sac bulbs with 20-foot driveway space (in feet)	30	15	15	15 (20 feet for garages)
Interior yards (in feet)				
One yard	15	10	10	10
Other yards	10	7	5	5
Lot coverage (maximum)	30%	40%	45%	50%
Minimum driveway length (in feet)	20	20	20	20

Table 4-3
AREA, LOT, AND YARD REQUIREMENTS FOR MULTI-FAMILY HOMES

ZONING DISTRICTS				
	R-2	R-3-1.5	R-3-2	R-4
Lot area (in square feet)	6,000	7,500	6,000	7,500
Area per dwelling unit (in square feet)	3,000	1,500	2,000	1,000
Minimum lot width (in feet)	60 (interior) 65 (corner)	60 (interior) 65 (corner)	60 (interior) 65 (corner)	70
Minimum lot depth (in feet)	100	n/a	n/a	n/a
Exterior yards (in feet)	15	15	15	15
Interior yards (in feet)	Two stories, 25 feet in height or less			
One yard	10	10	10	6 (side yard)
Other yards	5	7	5	10 (rear yard)
Interior yards (in feet)	More than two stories or 25 feet in height			
All yards		10	10	1'/every 5' over 25'
Lot coverage (maximum)	50%	55%	55%	65%
Minimum driveway length (in feet)	20	n/a	n/a	n/a
Distance between main buildings (in feet)		15	15	10

Source: City of Merced Zoning Ordinance

Table 4-4
General Plan Densities

General Plan Designation	Density
Low Density Residential (LD)	1 to 6 dwelling units per acre (du/ac)
Low-Medium Density Residential (LMD)	6 to 12 du/ac
High-Medium Density Residential (HMD)	12 to 24 du/ac
High Density Residential (HD)	24 to 36 du/ac
Mobile Home Park Residential (RMH)	6 to 10 du/ac
Village Core Residential (VR)	7 to 30 du/ac for a minimum average of 10 du/ac
General Plan Designation	Density
Low Density Residential (LD)	1 to 6 dwelling units per acre (du/ac)
Low-Medium Density Residential (LMD)	6 to 12 du/ac
High-Medium Density Residential (HMD)	12 to 24 du/ac
High Density Residential (HD)	24 to 36 du/ac
Mobile Home Park Residential (RMH)	6 to 10 du/ac
Village Core Residential (VR)	7 to 30 du/ac for a minimum average of 10 du/ac

Source: Merced Vision 2015 General Plan

Family Definition

A city's zoning ordinance can restrict access to housing for individuals living together but failing to qualify as a *family* by the definition specified in the document. Even if the ordinance provides a broad definition, deciding what constitutes a *family* should be avoided by cities to prevent confusion or unintentional restrictiveness. Particularly, when the zoning ordinance uses terms such as *single-family homes* defining *family* in too-detailed terms may restrict access to housing for certain segments of the population.

California court cases have ruled that an ordinance that defines a *family* as (a) an individual, (b) two or more persons related by blood, marriage or adoption, or (c) 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 a 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.

The City of Merced's municipal code, within Section 28.04.290, defines *family* to mean "a single residential unit or a person or group of persons living together as a domestic unit in a single residential unit."

Density Bonuses

A density bonus is the allocation of development rights that allows a parcel to accommodate additional square footage or additional residential units beyond the maximum for which the parcel is zoned. On January 1, 2005, SB 1818 (Chapter 928, Statutes of 2004) revised California's density bonus law (Government Code 65915) by reducing the number of affordable units that a developer must provide in order to receive a density bonus. The legislation also increased the maximum density bonus to 35 percent.

The minimum affordability requirements are as follows:

- The project is eligible for a 20 percent density bonus if at least 5 percent of the units are affordable to very low-income households, or 10 percent of the units are affordable to low-income households; and,

- The project is eligible to receive a 5 percent density bonus if 10 percent of purchase units are affordable to moderate-income households.

The law also established a sliding scale which determines the additional density that a project can receive. Within the ranges, the density bonus increases as the percentage of affordable units increases. The low-income density bonus increases by 1.5 percent for each 1 percent increase in low-income units above 10 percent, up to the maximum of 35 percent. The very low-income density bonus increases by 2.5 percent for each 1 percent increase in very low-income units above 5 percent, up to the maximum 35 percent; and the moderate-income (i.e., condo/PUD) density bonus increases by 1 percent for each 1 percent increase in moderate-income units above 10 percent, up to a maximum of 35 percent.

A developer can receive the maximum density bonus of 35 percent when the project provides either 11 percent very low-income units, 20 percent low-income units, or 40 percent moderate-income units. In 2005, SB 435 was passed. This legislation served to clarify California's density bonus law by explaining that a project can only receive one density bonus.

Prior to SB 1818 and SB 435 jurisdictions were required to grant one incentive, such as financial assistance or development standard reductions, to developers of affordable housing. The new laws require that cities and counties grant more incentives depending on the percentage of affordable units developed. Incentives include reductions in zoning standards, reductions in development standards, reductions in design requirements, and other reductions in costs for developers. Projects that satisfy the minimum affordable criteria for a density bonus are entitled to one incentive from the local government. Depending on the amount of affordable housing provided, the number of incentives can increase to a maximum of three incentives from the local government. If a project provides affordable units, but uses less than 50 percent of the permitted density bonus, the local government is required to provide an additional incentive.

Additionally, the new laws provide density bonuses to projects that donate land for residential use. The donated land must satisfy all of the following requirements:

- The land must have general plan and zoning designations which allow the construction of very low-income affordable units as a minimum of 10 percent of the units in the residential

development; The land must be a minimum of 1 acre in size or large enough to allow development of at least 40 units; and

- The land must be served by public facilities and infrastructure.

City of Merced Zoning Ordinance Section 20.88 describes the density bonus procedures in the City. The City currently provides a density bonus to housing projects that provide one of the following:

- Twenty percent of the total dwelling units are reserved for low-income households (50 percent to 80 percent of the area median income); or
- Ten percent of the total dwelling units are reserved for very low-income households (less than 50 percent of the county annual median income); or
- Fifty percent of the total dwelling units are reserved for senior citizens.

Projects seeking a density bonus must consist of a minimum of five units. In addition, Section 20.88.060 requires that all projects comply with the following conditions:

- A. Restricted units must remain restricted for thirty (30) years from the date of final occupancy clearance if both a density bonus and an additional incentive are granted. If only a density bonus is granted, the restricted units shall remain restricted for ten (10) years. Affordability of restricted units shall be maintained longer if financing or subsidy programs for the project designate a longer preservation period.
- B. Requirements for restricted units shall be established as conditions of project approval. Evidence of compliance with the conditions of this chapter shall be in the form of an affordable housing agreement between the applicant and the city entered upon the granting of the first discretionary approval by the City. The agreement shall comply with the requirements set forth in Section 20.88.090. The agreement shall be recorded as a deed restriction prior to issuance of any project building permits and shall run with the land encompassed by the project for a period of ten (10) or thirty (30) years, or longer, as provided in subsection A of this section.
- C. Restricted units in a project shall be constructed concurrently with, or prior to, the construction of non-restricted units.

- D. Restricted units shall include all unit types represented in the project in the same proportion as in the project as a whole.

Parking Requirements

Merced's Municipal Code establishes the parking requirements for land uses within the City. A summary of the requirements for residential districts is provided in Table 4-5. Although parking requirements do not constrain the development of housing directly, they may reduce the amount of available land that can be used for residential development or restrict the density of development on a given parcel of land.

Table 4-5
Parking Standards by Zoning District
City of Merced

Zoning District	Minimum Lot Area (Sq. Ft.)	Minimum Area Per Dwelling Unit (Sq. Ft.)	Maximum Building Height (Ft.)	Maximum Lot Coverage	Minimum Lot Width	Minimum Lot Depth	Minimum Driveway Length	Minimum Parking space/unit
PD								
R-1-20	20,000	20,000	35	30%	85	125	20	1
R-1-10	10,000	10,000	35	40%	70	100	20	1
R-1-6	6,000	6,000	35	45%	60-65	100	20	1
R-1-5	5,000	5,000	35	50%	50-55	80	20	1
R-2	6,000	3,000	35	50%	60-65	100	20	1
R-3-1.5	7,500	1,500	35	55%	60-65	-	-	1.75
R-3.2	6,000	2,000	35	55%	60-65	-	-	1.75
R-4	7,500	1,000	40	65%	70	-	-	1.75
RP-D								

Building Codes

Building Codes regulate the physical construction of dwellings and include plumbing, electrical and mechanical improvements. The City currently enforces the California Building Code (CBC).

The Inspection Services Division is responsible for the enforcement of the CBC within the City of Merced. Building Code enforcement is basically conducted through scheduled inspections of new construction, remodeling, and rehabilitation projects. Inspections are also conducted in response to public complaints or an inspector's observation that construction is occurring without proper permits. Enforcement of these codes ensures a safer housing condition and does not add significantly to the cost of housing in Merced.

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, multi-family, second dwelling units, mobilehomes, emergency and transitional housing, and supportive housing.

Senior Housing

Various portions of the Housing Element describe characteristics of the elderly population, the extent of their needs for subsidized housing, complexes developed especially for that group, and City provisions to accommodate their need. The number of Householders 65 Years and Over in Merced in 1990 was 3,199 and 3,796 in 2000. The County's number of Householders 65 Years and over in 1990 was 10,393 and increased to 12,289 in 2000.

In 2000 there were approximately 2,571 Owner-Occupied Elderly Householders age 65 or older within the City of Merced (67.7 percent of age 65 and over Householders) compared to 1990's 2,098 Elderly Householders (65.6 percent of ages 65 and over householders). The number of Renter-Occupied Elderly Householders 65 years and over in Merced was 1,225 (32.3 percent of age 65 and over householders) in 2000 and 1,101 (34.4 percent of age 65 and over householders) in 1990. The American Community Survey (ACS) estimates for 2009 show the total number of households with one or more persons over the age of 65 is 4,709.

Merced had a higher percentage of Owner-Occupied Elderly Householders in both 1990 and 2000 than Merced County. This trend remained the same according to the 2009 American Community Survey Estimates. The elderly prefer affordable units in smaller single-story structures, close to health facilities, services, transportation, and entertainment.

The ACS recorded a total of 25,344 housing units in the City of Merced. Of that number, 9,866 units were owner-occupied and 15,478 were rentals. Approximately 11 percent of the total number of rental units were occupied by individuals 65 years old or older. Approximately 31 percent of the total number of owner-occupied units were occupied by individuals 65 years old or older. This compares to 80 percent of individuals younger than 65 years old are renters and 58 percent are owners.

The issue of affordability is of particular importance to seniors because they usually live on fixed incomes. Because many seniors are on a limited income, housing costs are often difficult to meet, especially with the added burden of medical expenses, food, and other necessities. As housing costs rise, the cost burden on senior households increases. In 1999 in Merced, 10 percent (568 individuals) of individuals 65 years and over were living below the poverty level. This number has remained the same according to the 2009 ACS estimates. However, the actual number of people had increased to 777.

According to the 2000 CHAS data, 61.9 percent of all “Elderly” 1 and 2 member renter households have housing problems. Elderly renter households with an income of 30 percent or less of the median family income (MFI) report that 82.6 percent of these households have housing problems. Seventy-five percent have a cost burden greater than 30 percent of their household income and 56.6 percent have a cost burden greater than 50% of their household income.

Elderly households that are owner-occupied report that 26.3 percent have housing problems and 79.2 percent of the households earning less than 30 percent of the MFI have housing problems. The cost burden for 79.2 percent of these households is greater than 30 percent and for 65 percent of the households, the cost burden is greater than 50 percent of their household income.

According to the 2000 Census data, 220 elderly or frail individuals were receiving supportive housing services in a private nursing home. The 2009 American Community Survey estimates, 9.5 percent of the overall population (7,240) in the City of Merced is age 65 or older. Of those individuals, 27 percent (1,963) are still living alone.

There are five nursing homes in Merced providing 446 beds. In addition to traditional nursing homes, Merced also has two assisted-living facilities providing 177 units. There are also a number of residential care facilities providing care and housing for the elderly and frail. The City has 33 licensed facilities offering care for six people on average, providing approximately 198 additional units for the elderly or frail population.

The Housing Authority of the County of Merced (HACM) is the primary provider of affordable housing for elderly individuals not requiring special assistance. The HACM has 473 units in their low-rent inventory and 2,705 units in their Section 8 Housing Choice Voucher program. Approximately 20 percent of their recipients are age 62 or older. In addition, the Central Valley Coalition for Affordable Housing partners with certain apartment

complexes to help provide affordable housing for the City's residents. Two of the apartment complexes are designated for seniors only and provide 150 affordable units.

Large Households

Large Households are defined as those households containing five or more persons. Income is a major factor that constrains the ability of households to obtain adequate housing. Larger units are more expensive and most of the units with more than three bedrooms are single-family homes, instead of multi-family rental units, and are not usually abundantly available.

Between 1990 and 2000, the number and percentage of Large Households in Merced and Merced County increased. In 1990, there were 3,200 (15.7 percent) Large Households in Merced and by 2000, the number of Large Households increased to 3,970 (19.4 percent). Merced County had a higher percentage of Large Households than Merced in both 1990 and 2000. The 2009 Estimates reveal 4,082 Large Households in the City and 15,022 in the County. Low incomes, rising housing costs, and few 4-bedroom or larger units account for the number of Large Households and incidence of overcrowding in Merced. Only 11.4 percent of all housing units in Merced have four or more bedrooms. However, estimates for 2009 indicate an increase in the number of homes with 4 or more bedrooms to 18.4 percent of all housing units.

Female-Headed Households.

According to the U.S. Census Bureau, a single-headed household contains a household head and at least one dependent, which could include a child, an elderly parent, or non-related child. Female-headed households have special housing needs because they are most likely either single-parents or single-elderly adults living on low- or poverty-level incomes.

Single-parent households with children often require special consideration and assistance as a result of their greater need for affordable housing, accessible day care, health care, and a variety of other supportive services. Single-parent households also tend to receive unequal treatment in the rental housing market. Because of their relatively lower household incomes, single-parent households are more likely to experience difficulties in finding affordable, decent, and safe housing.

Battered women with children comprise a sub-group of female-headed households that are especially in need.

According to the California Department of Housing and Community Development and the National Low Income Housing Coalition's Women and Housing Task Force, the female-headed household group is probably the group with the most extensive housing needs and is disproportionately affected by the current housing situation. This housing need is exacerbated by a lack of adequate and affordable child care, which would enable the mother to pursue ways of increasing her earning capacity. With rising child care costs, few women in this group are able to work and care for their children at the same time.

The number of female-headed households in Merced and Merced County according to the 2000 Census and 2009 American Community Survey (ACS). Housing Policy H-1.7, within the City's Housing Element, provides support for special needs housing, including single-parent households. Implementing Action 1.7b includes continuing the efforts to provide affordable housing through the City's Housing Program. The affordable housing assistance programs (First Time Home Buyers Assistance, Rehabilitation Loans, etc.) administered through the City's Housing Department are available to all single-parent households (male and female) meeting the income eligibility requirements of the programs.

Farmworkers

Farmworkers provide an essential contribution to the agricultural economy of Merced County. Merced County ranks fifth in the state in value of agricultural production. Farmers and farmworkers are the cornerstone of the larger food sector which includes: the industries that provide farmers with fertilizer and equipment; farms to produce crops and livestock; and the industries that process, transport, and distribute food to consumers. Farmworker households are often comprised of extended family members or single male workers and, as a result, many farmworker households tend to have difficulties securing safe, decent, and affordable housing.

Far too often farmworkers are forced to occupy substandard homes or live in overcrowded situations. Additionally, farmworker households tend to have high rates of poverty, live disproportionately in housing which is in the poorest condition, have very high rates of overcrowding, have low homeownership rates, and are predominately members of minority groups. While the City of Merced's primary industries are services and manufacturing, the City is located in the heart of the San Joaquin Valley, which is prime agricultural land. Merced County is a leading producer of milk, chicken, cattle, almonds, and sweet potatoes according the Merced County Farm Bureau.

Migrant farmworkers, as a group, consists of individuals who travel not only across county lines, but also from one major geographic region of California to another to find work. Travel for work prevents them from returning to their primary residence every evening. Many migrant farmworkers are single males, most of whom are married and migrate alone to support their families who live at home base. However, there are many migrant families who have more than one employed member.

When workloads increase during harvest periods, the labor force is supplemented by seasonal labor, often supplied by a labor contractor. Non-migrant seasonal farmworkers consist of individuals who work only during a harvest season, and who are able to return to their primary residence every evening. This group, which includes cannery workers, is fairly significant, comprising more than half of all farmworkers in the state.

Permanent farmworkers comprise the smallest group of individuals employed in agriculture. Permanent farmworkers are employed year-round, usually by one employer in the agricultural industry. This group generally lives in rural areas in permanent housing provided by the grower.

The farmworker population experiences a distinct set of issues contributing to housing challenges, including seasonal income fluctuations, very low incomes, and a severe deterioration of existing housing stock. Housing that is targeted to very low-income households serves seasonal farmworkers. Seasonal workers are more likely to have their families with them, although some migrant workers bring their families if they feel they can locate suitable housing.

Regular or year round farm workers are defined by the Employment Development Department as those working 150 or more days for the same employer. Seasonal workers are those who work less than 150 days annually for the same employer. Migrant seasonal workers are defined as those who travel more than 50 miles across county lines to obtain agricultural employment.

Housing for migrant farmworkers requires affordability and flexibility. For seasonal farmworkers, housing needs to be affordable at extremely low incomes and provide large units to accommodate larger families. Therefore, the type of housing needed for seasonal farmworkers does not differ from the type of housing needed by other very low-income households.

The Migrant Health Program of the U.S. Department of Health and Human Services released the Migrant and Seasonal Farmworker Enumeration Profiles Study in 2000, estimating the number of migrant and seasonal farmworkers and their non-farmworker household members in California. The study was based on secondary source information, including existing database information and interviews. According to the report, there are an estimated 19,727 migrant and seasonal farmworkers in unincorporated Merced County in 2000. Approximately 7,683 (39 percent) were migrant farmworkers and 12,044 (641 percent) were seasonal workers. The report defined a seasonal farmworker as an individual whose principal employment (51 percent of time) is in agriculture on a seasonal basis, and has been employed within the last 24 months. A migrant farmworker meets the same definition, but establishes a temporary abode for the purposes of such employment.

The 2002 U.S. Census of Agriculture is another source of information on farmworkers. The Census reports that there were 12,044 farmworkers in Merced County that worked fewer than 150 days in 2002, and 348 of these workers were migrant farmworkers.

Agriculture is the leading industry in Merced County accounting for 16 percent (11,300 jobs) of the employment. The county ranks fifth in the state in the value of agricultural production with nearly 80 percent of the land area in agricultural use. Despite the number of agricultural jobs in Merced County, the unemployment rate has traditionally been much higher in the county (and in the San Joaquin Valley) than the state average. Merced County experienced an unemployment rate of 9.8 percent for 2005, according to EDD. The agriculture industry entails seasonal employment resulting in an increased demand for affordable housing that drives up housing costs. Added to this is the lower than average income for the majority of people involved in agriculture and the substandard housing in which many are forced to live.

Farm workers have the lowest annual household income of any occupation surveyed by the U.S. Census, (source: Farm Workers in California, July 1998). According to EDD, in 2008 the average farm worker earned \$17,794 per year. One-half of all individual farm workers earned less than \$7,500 per year and one-half of all farm worker families earned less than \$10,000 per year. Overall, 61 percent of all farm workers and 50 percent of those with three to five family members had below poverty incomes. The problem of low hourly wages is compounded by the seasonal nature of agricultural employment, resulting in farm workers' inability to compete for housing on the open market.

With regard to housing, 21 percent of all farm workers received free housing from their employers, 7 percent rented from their employers, 47 percent rented from someone else, and 18 percent owned their own home. The remaining 7 percent had various other arrangements.

The County Housing Authority manages four seasonal housing centers providing 260 units, and Self-Help Enterprises manages one facility in Planada. The facilities are available during the six-month harvest season (April/May–October/November) and are reserved only for farmworkers and their families. The centers include:

- 62 units, Atwater/Livingston
- 50 units, Merced
- 48 units, Los Banos
- 100 units, Planada (Housing Authority - 73 units, Self-Help Enterprises - 37 units)

In an effort to support the development of farmworker housing, the City has included Policy H-1 to encourage the construction of housing and facilities to meet special needs, including farmworkers. This Policy includes programs that promote and develop housing for special needs, including farmworkers and to assist in obtaining funding for farmworker housing.

Disabled Population

U.S. Census data for 2000 indicated that for individuals between the ages of 21 and 64, approximately 26.3 percent of this age group in Merced had some form or type of disability that may impede their ability to earn an adequate income or find suitable housing accommodations to meet their special needs. Therefore, many in this group may be in need of housing assistance. Households containing handicapped persons may also need housing with special features to allow better physical mobility for occupants.

The number of the Disabled Population in Merced between 21 and 64 years of age in 2000 was 8,449. The percent of the disabled population in Merced County between 21 and 64 years of age in 2000 was 24.3 percent of the County's total population. The percentage of the total 1990 population in Merced (age 16 to 64 years of age) with a work disability was 8.4 percent compared to 8.6 percent for the County.

It is not possible to discern whether the area has attracted the increase in the disabled population or whether there has been an increase because

the questions asked in the 2000 Census were different than the 1990 Census. It is also difficult to discern the differences in the 2000 Census numbers and the American Factfinder estimates for 2009. However, the new estimates show a decrease in the percentage of disabled individuals.

The 1990 Census asked people if they were prevented from working or limited in the amount or kind of work that they could do, if they had difficulties taking care of their personal needs - dressing, bathing, and so forth - and if they had a mobility problem. The 2000 Census asked whether people have blindness, deafness, or severe vision or hearing impairment, which does not always translate into a work disability. The 2000 Census also asked about substantial limitations in physical activities, such as lifting things, getting around, difficulty learning, remembering or concentrating, and difficulty working at a job.

Additionally, many people with disabilities require supportive housing arrangements (i.e., housing where support services are readily available). This is particularly important for people with mental disabilities who are reentering the community from an institution and for people who have disabilities that make independent living difficult. In Merced, services for people with mental disabilities are provided by the Merced County Department of Mental Health. The department has the capacity to serve six individuals (women only) in supportive housing sites in the County.

The department also provides referrals to the Community Action Agency (CAA) and other organizations that provide motel vouchers and emergency shelter facilities. The department estimates that there are 400 people in the County with mental illnesses who are in need of supportive housing services of some type. The Department works closely with other facility and service providers in the County, such as the Community Action Agency and the Rescue Mission (a county-based shelter) to ensure that clients receive housing and other supportive services, such as rehabilitation and training programs.

Clients who are served include people returning to the community from mental health institutions, veterans from the Vietnam War, substance abusers, people with schizophrenia, and people with mute disorders. There are currently no supportive housing units for persons leaving mental/physical health facilities in Merced County. However, supportive housing is a permitted use in all residential zones and could be allowed as a conditional use in some commercial zones.

Social Security Disability Insurance (SSDI) family income equates to approximately two-thirds of the wage earners' recorded highest earnings.

A disabled family person who earned \$30,000 a year receives \$21,204 annually from SSDI. The same earned income entitles a single disabled person to \$11,271 annually. Either scenario places the household in a lower-income category.

Homeless

Not all homeless people are the same, but many fall under several categories: the mentally ill, alcohol and drug users, vagrants, the elderly, runaways and abandoned youths, single women with children who are often fleeing domestic violence, individuals and families who have recently lost jobs and are unable to make ends meet, as well as the working poor, those with jobs but whose income is too small to afford housing. Although each category has different specific needs, the most urgent need is for emergency shelter and case management (i.e., help with accessing needed services). Emergency shelters have minimal supportive services for homeless persons, and are limited to occupancy of six months or less by a homeless person per state law. No individual or household may be denied emergency shelter because of inability to pay.

Due to the transient nature of the homeless population, estimating the precise number of homeless persons in a community is a difficult, if not impossible, challenge. Measuring the number of homeless individuals is a difficult task in part because, in most cases, homelessness is a temporary, not permanent, condition. Therefore, a more appropriate measure of the magnitude of homelessness is the number of people who experience homelessness over time, not the exact number of homeless people at any given time.

However, the most recent information available for the City and the County is a “point-in-time” count of sheltered and unsheltered homeless persons conducted by volunteers for the Merced County Continuum of Care (CoC) in January 2015. This “point-in-time” survey revealed a total of 899 adults and children of whom 872 were adults and 23 were children. Of the 899 persons counted, 743 adults were unsheltered and 156 (133 adults and 23 children) in temporary shelters or transitional housing programs as required by the U.S. Department of Housing and Urban Development (HUD) and will be the numbers officially reported to HUD as required of all Continuum’s of Care (CoCs). As recorded below, this represents an increase of 17% or 131 persons when compared to the 2014 homeless count and survey.

Table 4-6

The total number of homeless persons counted in the City of Merced was 690 of which 592 (86%) were unsheltered and 98 (14%) were sheltered. All of the 592 unsheltered persons were adults and all of the 98 sheltered persons were adults. As noted in the beginning of this report, 23 children were counted in shelters. These shelters are located in other areas of the county.

A breakdown of the 690 unsheltered and sheltered adults by the subpopulations noted below was based on the information gathered through surveys. Of the 228 surveys that were completed, 167 or 73% were administered to homeless persons counted in the City of Merced. The 167 surveys represents a sample of 24%. In other words, 690 unsheltered and sheltered adults were counted and 167 persons were surveyed. Thus, 24% or approximately one out of four persons were surveyed.

Emergency Shelters, Transitional and Supportive Housing and Single Room

SB 2, passed in 2007 and effective as of January 1, 2008, amended State housing law (California Government Code Sections 65582, 65583, and 65589.5) regarding shelter for homeless persons. This legislation requires local jurisdictions to strengthen provisions for addressing the housing needs of homeless persons, including the identification of a zone or zones where emergency shelters are allowed as a permitted use without a conditional use permit.

Year	Total Number of Homeless Persons	Variance	
		#	%
2014	768		
2015	899	131	17

B2 added specific new requirements for local governments to meet in terms of planning for emergency shelter facilities, Government Code Section 65583(a)(5) also states that “transitional housing and supportive housing shall be considered a residential use of property, and shall be subject only to those restrictions that apply to other residential dwellings of the same type in the same zone.”

There are currently 246 beds available in the City of Merced. This inventory includes shelter for single men and women, as well as families

with or without children. In order to comply with SB 2, the City must provide a zone in which emergency shelters are permitted without discretionary action, unless the City can demonstrate that enough beds are available to house all the homeless persons in the community.

Merced has committed to designating a zone to allow emergency shelters as a permitted use in compliance with SB 2. At this time, the City feels the best zone for this use would be the General Commercial (C-G) zone. Currently, there is sufficient land available within the C-G zone to accommodate emergency shelters. The existing emergency shelter operated by the Merced County Community Action Agency is located within a C-G zone.

The City of Merced is committed to providing sufficient resources for the homeless population of our community. As outlined in its Housing Element, the City shall continue to coordinate with outside agencies to address needs of families/individuals that have been displaced from the housing market. The City will also continue to support and apply for available funding to assist the homeless community.

Second-Unit Ordinance

The City of Merced has had a "Second-Unit Ordinance" since the 1980's. As previously described in Section 9.3.5, the City adopted a Zoning Ordinance Amendment in 2007 to bring our Zoning Ordinance into compliance with Government Code Section 65852.2. This ordinance established modified guidelines for residents who wish to construct a second-unit on their property. Second units are allowed in all residential zones. In accordance with State law, these applications are reviewed ministerially, and approved at the staff level (this was always the case with Merced's ordinance). The ordinance set forth criteria for the application of second units including the maximum allowable square footage and the development standards for these units. Since the adoption of this ordinance, the City has only processed one additional application for a second unit.

The City does not see the ordinance itself as a constraint. In fact, the requirements are more lenient than the previous ordinance. The City feels the primary reason no new secondary dwelling units have been constructed is primarily because most people don't want rental units in their backyard and most new homes aren't on lots big enough to accommodate a second unit. Second units work best in the downtown area, which has alley ways for easier access and lots that are large enough to accommodate second units. Although few second units have

been approved in recent years, there are many second units that are currently in existence.

Policies, Strategies, and Programs for Affordable Housing Preservation

The City of Merced has identified numerous Goals to preserve affordable housing permanently:

1. Create Housing Opportunities
2. New Housing Development
3. Conservation and Improvement of Existing Housing
4. Regional Cooperation and Jobs/Housing Balance
5. Public Education and Information:

To preserve affordable housing permanently the HE plans to:

1. Preserve the existing housing stock for the longest term possible with the ideal being permanent preservation of affordability.
2. Seek policies/Regulatory Agreement restructuring which provide the political jurisdiction or its designee opportunity to purchase the property at the conclusion of the mortgage.

If it is not possible to maintain permanent preservation then the City of Merced plans to minimize the displacement of current tenants by creating anti-displacement policy or by relocation mitigations with the owner. In new developments the City would ideally arrange transactions where there would be no displacement upon cease of housing development control.

Monitoring At-Risk Affordable Rental Housing Units

State law requires that each city provide an analysis and programs for preserving existing affordable multi-family rental housing units which were developed with public subsidies. The analysis must address units which may potentially be converted to market-rate housing within a ten year period from July 2000 to July 2010. There are five projects in Merced containing a total of 340 affordable housing units which were developed with federal interest rate and rental subsidies. In exchange for the subsidies, the project developers agreed to retain rental rates affordable to lower income households for a specified number of years.

The potential loss of existing affordable housing units is an important issue to the City due to displacement of lower-income tenants and the

limited alternative housing for such persons. It is typically less expensive to preserve the affordability of these units than to subsidize construction of new affordable units due to the inflation of land and construction costs which has occurred since the original development of these projects.

Assisted multi-family rental developments which could potentially lose affordable units by the year 2010 are Merced Commons I and II, Merced Gardens, Merced Meadows, and Merced West Manor, which contain a total of 340 affordable units. The Merced Commons I and II Apartments, containing 147 affordable units, is under contract through the year 2020 and 2011 respectively.

State Law Requirements

In accordance with State Legislation, this Housing Element includes analysis and programs for preserving assisted multi-family rental housing developments. The State Legislation was passed in 1989 in response to the potential loss of numerous affordable rental units which have received assistance from federal, state, and/or local programs.

The State Legislation was adopted as Section 1451, Statutes of 1989, which amended Section 65583 of the State of California Government Code. The state law requires that each city and county provide an analysis and program for preserving assisted rental housing developments during a ten-year period. Further, the preservation analysis and programs must be updated every five years, at the same time the other sections of each locality's housing element are updated. For the City of Merced, the current preservation analysis period is July 1, 2000 to July 1, 2010.

Pursuant to state law, the following components are included in this analysis:

- Inventory of units at risk of losing use restrictions;
- Cost analysis of preserving at-risk units versus replacing them;
- Nonprofit entities capable of acquiring and managing at-risk projects;
- Potential preservation financing sources; and,
- Efforts to preserve units at risk of losing use restrictions.

Five multi-family rental projects in Merced, totaling 344 units, were constructed using federal subsidies. In exchange for the subsidies, the developers were required to provide the rental units to low-income residents for a specified period of time. Of these, 93 units could potentially convert to moderate and market-rate housing by the year

2010. The conversion of any low-income apartments would be a significant reduction on the amount of affordable housing available in Merced. The existing housing through the Housing Choice Voucher program (formerly Section 8) is the only means the City has to subsidize families in rental apartments, and its continuation is critical for maintaining subsidized rentals for families.

Table 4-7**Federally Assisted Multi-Family Housing**

Project Name	Address	Assisted Units	Sec. 8	Risk Assessment*
Merced Commons I	290 Q St.	76	1/31/2020	Post-2010 Expiration
Merced Commons II	290 Q St.	71	9/16/2011	Post-2010 Expiration
Merced Gardens	3299 Meadows	47	12/31/2005	At Risk
Merced Meadows	3125 Meadows	100	1/1/2013	Low Risk (Nonprofit)
Merced West Manor (a.k.a. Merced Golden Manor)	342 U St.	50	9/30/2004	At Risk

Moratoriums/Growth Management

Merced does not have any building moratoriums or growth management plans that limit housing construction.

Development Fees/Assessments

Development fees and taxes charged by local governments also contribute to the cost of housing. The City assesses various development fees to cover the costs of permit processing.

State law requires that locally imposed fees not exceed the estimated reasonable costs of providing the service. The fees and exactions required of a development to pay for the public facilities associated with the residential development may pose a potential constraint to housing production. Development fees and taxes charged by local governments also contribute to the cost of housing.

Various development processing and permit fees are charged by the City and other agencies to cover administrative processing costs associated with development. These fees ensure quality development and the provision of adequate services. Often times, development fees are passed through to renters and homeowners in the price/rent of housing, thus affecting the affordability of housing.

The Planning and Development Fee Schedule for the City of Merced appears in full in the Table below. These fees represent an increase in the fees identified in the previous Housing Element. Costs of processing

<i>Application Type</i>	APPLICATION FEE
ANNEXATION & PRE-ZONING (See Note #3)	

development applications have increased due to complexity for meeting new State mandates, and the increased role of the Planning Division in the City's permitting process.

A study done based on the last five years of the time and expense incurred to process applications revealed that the City was not recovering all of its costs. In an effort to recover the costs for processing these applications in

January 2010 the City Council approved a fee increase. These fees had not been increased since 1998. Although the City's fees for processing subdivision maps increased significantly, Merced's fees remain comparable to other Valley cities.

Table 4-8
City Of Merced
Planning and Development Fee Schedule

Single R-1 Lot (1 acre or less) (See Note #2)	\$1,000
All Other Annexations	\$2,000
	+ \$150/acre
Pre-Annex Development Agrmt (Payable to Planning Dept)	Actual Cost w/ \$30,000 Deposit
Pre-Annex Development Agrmt (Payable to City Atty)	(Over 200 ac)
	\$3,000
	\$5,000
<i>APPEALS (See Note #10)</i>	
Conditional Use Permits (CUP)	\$300
Tentative Subdivision Map	\$300
Design Review Commission (Appeal to Council)	\$200
Appeal of Certification of Alteration	\$50
<i>Minor Subdivisions:</i>	
- Lot Splits/Parcel Maps	\$200
Site Plan Review Committee	\$225
Miscellaneous Appeals	\$225

Application Type	APPLICATION FEE
CONDITIONAL USE PERMITS (CUP)	
Admin. CUP's for Signs (Staff Approval Only)	\$200
Minor: (Signs, walls, etc. if goes to Planning Commission)	\$500
REGULAR CUP (R-1 Type Uses, Churches, Land Use Or Design Only; Interface Overlay, Etc.)	\$2,500
Major CUP (Land use and design; P-D's)	\$2,500 + \$100/acre
DESIGN REVIEW COMMISSION (DRC) & HISTORIC PRESERVATION COMMISSION (HPC)	
Painting and Small Signs (Staff)	\$25
Signs, Awnings, and Simple Modifications (Staff)	\$75
Remodels and Site Improvements (DRC)	\$500
New Developments (DRC)	\$1,200
Historic Preservation Applications:	
- Application for Historic Resource (DRC & Council)	\$250
- Certificate of Alteration for an Historic Resource	\$150
DETERMINATIONS/INTERPRETATIONS	
By Staff	\$50
By Planning Commission:	
- Single R-1 Lot	\$500
- Other	\$500
ENVIRONMENTAL REVIEW	
Categorical Exemption	\$100
Negative Declaration	\$1,000
Mitigated Negative Declaration	\$5,000
Expanded Initial Study	\$5,000
Environmental Impact Report	Based on Cost (See Note #5) (Deposit Required)

published)	\$150
Covenants of Easement	\$300
Encroachment Permits (if have to go to city council)	\$300
Home Occupation Permits	\$25
Restaurant Encroachment Permit (See Note #9)	\$150
Staff Research Time	\$50 per ½ hour
<i>Street Closures:</i> (See Note #9)	
- STAFF REVIEW	\$50
- Council Review	\$300
Temporary Outdoor Uses	\$50
<i>Will Serve Letter (Utilities)</i>	\$100
Zoning Compliance Letter (Involves City Atty)	\$400
Zoning Verification Letter (Planning Staff Only)	\$75
NAME CHANGES	
Subdivision Names (once public hearing notice has been published)	\$250
<i>Street Names (for subdivisions, once final subdivision map has been approved to City Council)</i>	\$1,000
PRE-APPLICATION REVIEW (See Note #1)	
Minor (CUP's, Site Plan Approval, etc.)	\$125
Major (Zone Changes, General Plan Amendments, Annexations, SUP Revisions, Tentative Maps, etc.)	\$200

<i>Application Type</i>	<i>APPLICATION FEE</i>
WATER & SEWER SERVICE REQUESTS <i>(County Property)</i> - Staff Review: - Council Review:	\$150 \$200 + \$15/acre or portion thereof
SITE PLAN REVIEW Minor (minor change in existing site or change in use with minor design adjustments) Major (major redesign of existing site or design of vacant site) (Large projects may be charged on an hourly basis) (See Note #6) <i>Other:</i> Second Residential Units Recycling Centers	\$600 \$1,000 No Charge \$200
SITE UTILIZATION PLAN ESTABLISHMENT Residential Planned Development (RP-D) and Planned Development (P-D)	\$3,000 + \$100/acre
SITE UTILIZATION PLAN REVISIONS <i>(See Note #4)</i>	\$1,500 +\$100/acre
TENTATIVE SUBDIVISION MAPS	\$3,000 (1-50 lots) \$5,000 (50+ lots)
VARIANCE Single R-1 lot All Others Multiple on one application	\$850 \$1,000 \$1,500
ZONE CHANGES <i>(Including, "to Planned Development")</i>	\$3,000 + \$100/acre
ZONING TEXT AMENDMENTS (Amendments to Title 20 of Merced Municipal Code) Re: Standards (Setbacks, signs, etc.) Re: Land Use (Adding a land use to a zone, adjusting requirements for a specific land use, etc.)	\$1,000 \$1,500

For a recently entitled and constructed four-unit multi-family residential State law also requires that fees must have a substantial nexus to the development and that the dedication of land or fees be proportional to its impact. Like all cities, Merced abides by state law with respect to fees and exactions. The City charges a limited number of fees to ensure that services and infrastructure are in place to serve the planned developments. Although housing development fees and requirements add to the cost of housing, these fees and requirements are necessary to maintain the quality of life within a community.

Community Representation

An important strategy for expanding housing choices for all residents is to ensure that residents' concerns are heard. A jurisdiction must create avenues through which residents can voice concerns and participate in the decision-making process. The City values citizen input and has established a number of commissions and committees with representation from the community. The role of each of these bodies is discussed below.

City Council

City residents elect the City Council to guide the policy affairs of the community. The City Council must provide an environment that stimulates participation in the governing processes and must conduct the affairs of the City openly and responsively. The City Council consists of the Mayor and 4 members selected at-large and are elected for four-year terms.

Planning Division

The Merced City Planning Division guides the City's planning processes. It is responsible for four programs including the Long Range Planning and Special Studies Program, Development / Environmental Review Program, Design Review and Historic Preservation, and Zoning Ordinance Information and Enforcement Program. This work includes the identification of planning-related problems and opportunities and the review of plans for projects requiring zoning changes and variances or subdivision approval.

Planning Commission

The Planning Commission serve a length of term of four years and until successors are appointed. The general functions of the planning commission are as follows:

- Recommend to the City Council, after a public hearing, the adoption, amendment or repeal of the General Plan, or any part thereof, and specific or precise plans it may deem advisable for guidance in the physical development of the City.
- Exercise such functions with respect to land subdivisions as provided by ordinance not inconsistent with the provisions of the City Charter (approve or disapprove tentative subdivision maps; and authorized to require

dedications for public use as a condition for approval of subdivision maps, etc.).

- Exercise such functions with respect to zoning, building, land use, redevelopment, conservation, proposed public works and related matters as may be prescribed by ordinance not inconsistent with the City Charter (all actions provided by the Zoning Ordinance in connection with modifications, variances, site plans, development plans, etc. and make recommendations to City Council for amendments to the Zoning Ordinance).

Section 5

Fair Housing Practices

This section provides an overview of the institutional structure of the housing industry with regard to fair housing practices. In addition, this section discusses the fair housing services available to residents, 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.

Fair Housing Practices in the Homeownership Market

On December 5, 1996, the U.S. Department of Housing and Urban Development (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 the NAR develop a Model of Affirmative Fair Housing Marketing Plan for use by members of the NAR to satisfy HUD's Affirmative Fair Housing Marketing regulations. Even so, there is still room for discrimination in the housing market.

The Homeownership Process

One of the main challenges in owning a home versus renting a home is the process. Buying a house takes considerably more time and effort than finding a home to rent. The major legal and financial implications surrounding the process also intimidate potential buyers. Typically, people are overwhelmed by the unique terminology, the number of steps required and the financial considerations involved. The process is costly and fair housing issues may surface at any time during this process.

Advertising

The first thing a potential buyer is likely to do when evaluating a home purchase is search advertisements either in magazines, in newspapers or via the Internet to get a feel for what the market offers. Language in advertising is sometimes an issue within the realm of real estate. Advertisements cannot include discriminatory references such as the use of words describing current or potential residents or the neighbors or the neighborhood in racial or ethnic terms. Some commonly used statements that are discriminatory include the following:

- Adults preferred

- Perfect for empty nesters
- Conveniently located by a particular church
- Ideal for married couples without kids

Even the use of models in ads has been questioned, based on the idea that it appears to appeal to a certain race. In addition, selecting media or locations for advertising that deny information on listings to certain segments of the housing market could also be considered discriminatory. 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 a protected class is preferred. In cities where there is a sizable Hispanic population, the homeownership process offers opportunities for fair housing violations to arise due to the natural tendency to advertise in a specific language such as Spanish. Although the advertisements might not violate fair housing laws, these advertisements could limit opportunities for other racial/ethnic groups to find housing. Recent litigation has set precedence for violations in advertisements that hold publishers, newspapers, the Multiple Listing Service, real estate agents and brokers accountable for discriminatory ads. As a reminder to choose words carefully, the Multiple Listing Service now prompts a fair housing message when a new listing is being added.

Lending

Initially, buyers must find a lender that will qualify them for a loan. This part of the process entails an application, a credit check, an analysis of ability to repay and the amount for which one is eligible, 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, there is no guarantee that individual loan officers or underwriters will not misuse the information. A report on mortgage lending discrimination by the Urban Land Institute¹⁵ outlines four basic stages in which discrimination can occur:

- Advertising and outreach
- Pre-application inquiries
- Loan approval/denial and terms/conditions
- Loan administration

A number of different individuals take part in the various stages of this process, and any of them could potentially discriminate. 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.

¹⁵Turner, M.A., & Skidmore, F. (Eds.). (1999, June). *Mortgage Lending Discrimination: A Review of Existing Evidence*. Washington, DC: Urban Institute.

Real Estate Agents

Finding a real estate agent is normally the next step, which can be done by looking in newspapers, searching the Internet and primarily through referrals. The agent will find the home that fits a buyer's needs, desires and budget based on the amount they are qualified for by the lending institution. Realtors may act as agents of discrimination by unintentionally or even intentionally steering potential buyers to or from a particular neighborhood. In a jurisdiction with a significant Hispanic population, a real estate agent might assume that a non-Hispanic buyer would not be interested in living in the City or that Hispanic buyers would prefer living in a Hispanic community. This situation could also apply to other protected classes who might be steered away from certain areas on the presumption that they might not want to live there based on the existing demographic makeup of the neighborhood.

Agents might also discriminate by who they agree to represent, who they turn away and the comments they make about their clients. However, the California Association of Realtors (CAR) has included language on many of its forms disclosing fair housing laws to those involved. Many realtor associations also host fair housing trainings and seminars to educate their members on the provisions and liabilities of fair housing laws. The Equal Opportunity Housing Symbol is also located on all forms as a reminder.

Appraisals

Banks order appraisal reports to determine whether a property is worth the amount of the loan requested. Generally speaking, appraisals are based on the comparable sales of properties surrounding the neighborhood of the property being appraised. Other factors are taken into consideration, such as the age of the structure, any improvements made and location. Some neighborhoods with higher concentrations of minorities might appraise lower than like properties in neighborhoods with lower concentrations. Unfortunately, this practice is geared toward a neighborhood and not an applicant and therefore is not a direct violation of fair housing law that can easily be addressed. One effect of this practice, however, is that it tends to keep property values lower in a given neighborhood, thereby restricting the amount of equity and capital available to those residents. Individual appraisers are the ones making the decisions on the amounts, thus there is room for flexibility in the numbers. As appraisers are individually licensed, similar to real estate agents, they risk losing their license for unfair practices.

Sellers

A seller might not want to sell his/her house to certain purchasers based on classification biases protected by fair housing laws, or he/she might want to accept offers only from a preferred group. Often, sellers are home when agents show the properties to potential buyers and could develop certain biases based on this contact. Sellers must sign the Residential Listing Agreement and Seller's

Advisory forms, which disclose that a seller understands fair housing laws and practices of nondiscrimination. Yet enforcement is difficult because a seller may have multiple offers and choose one based on a bias.

Covenants, Conditions and Restrictions

Covenants, Conditions and Restrictions (CC&Rs) in the past were used to exclude certain groups such as minorities from equal access to housing in a community. Today, 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 else 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 to be revised.

Communities with old subdivisions or condominium developments might still contain CC&Rs that do not comply with the fair housing laws. A typical example relates to occupancy standards, which an association might seek to enforce in order to oust a particular group or discriminate based on familial status or lack thereof. However, provisions in the CC&Rs that violate the fair housing laws are not enforceable by the homeowners association.¹⁶

Insurance

Insurance agents are provided with underwriting guidelines for the companies they work for to determine whether a company will sell insurance to a particular applicant. Currently, underwriting guidelines are not public information, however, consumers have begun to seek access to these underwriting guidelines in order to learn if certain companies have discriminatory policies. Some states are being more responsive than others to this demand and have recently begun to require that companies file their underwriting guidelines with the state department of insurance, which would then make the information public.

Many insurance companies have applied strict guidelines, such as not insuring older homes, that disproportionately affect lower-income and minority families that can only afford to buy in older neighborhoods. A California Department of Insurance (CDI) survey found that less than one percent of homeowners insurance

¹⁶In 1985, the Davis-Stirling Common Interest Development Act (Civil Code § 1353-1378) was passed by the State of California. The Davis-Stirling Act contains all laws pertaining to Common Interest Developments (CIDs) and requires all CIDs to be managed by an association. Developers are required to create CC&Rs and bylaws, which are the governing documents that dictate how the association operates and what rules the owners—and their tenants and guests—must obey. The CC&Rs are legally enforceable by the association and individual owners, and nothing in the CC&Rs can take precedence over federal, state or local laws.

available in California is currently offered free from tight restrictions.¹⁷ The CDI has also found that many urban areas are underserved by insurance agencies.

The California Organized Investment Network (COIN) is a collaboration of the CDI, 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 CRA that applies to the banking industry. COIN is a voluntary program that facilitates insurance industry investments to provide profitable returns to investors and economic and social benefits to underserved communities.

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.”

Credit and FICO Scores

Credit history is one of the most important factors in obtaining a home purchase loan. Credit scores determine loan approval and the interest rate associated with a loan, as well as the type of loan an applicant will be given. Applicants with high credit scores are generally given conventional loans, whereas those with lower and moderate range scores often utilize government-backed loans or subprime loans. Applicants with lower scores also receive higher interest rates on their 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 & 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. TransUnion 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 the 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 ones, and mortgage lenders will often not even consider a score below 620.

¹⁷California Department of Insurance. (2010, February 8). *Homeowners Premium Survey*. Section 12959 of the California Insurance Code requires the commissioner to publish and distribute a comparison of insurance rates report for those lines of insurance that are of most interest to individual purchasers of personal lines of coverage.

FICO scores became more heavily relied on by lenders when studies conducted showed that borrowers with scores above 680 almost always make payments on time, whereas borrowers with scores below 600 seemed fairly certain to develop problems. Credit scores also made it easier to develop computer programs (electronic underwriting) that can make a “yes” decision for loans that should obviously be approved. Some of the factors that affect a FICO score are as follows:

- Delinquencies
- New accounts (opened within the last 12 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

There has been some debate recently regarding the accuracy of the credit scoring software used by lenders. In particular, soon after its release, the *Los Angeles Times* Real Estate section featured articles suggesting that the NextGen software model, which was designed by Fair Isaac & Company, was not being used by lenders due to the high cost of the software, even though it is a more fair and accurate version. The new model is said to increase scores by 50 to 100 points and has been on the market for several years. However, research performed by the research and consulting firm TowerGroup found that, for many lenders, the higher price for the NextGen software, including the evaluation, implementation, systems and training costs, and the embedded mortgage industry commitment to Classic FICO, did not warrant switching from the Classic FICO standard. In March 2006, Experian introduced yet another credit score system, VantageScore, which is similar to FICO’s NextGen. VantageScore will likely face the same challenges as NextGen but may have more success depending on ease of use and cost.

National Association of Realtors

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 on Realtors and is 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.

In addition, 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.”

Realtor Fair Housing Declaration

In accordance with the Code of Ethics, each Realtor signs the following pledge, developed in 1996 as a result of the HUD/NAR agreement.

I agree to:

- Provide equal professional service without regard to race, color, religion, sex, handicap, familial status, or national origin of any prospective client, customer, or of the residents of any community.
- Keep informed about fair housing law and practices, improving my clients’ and customers’ opportunities and my business.
- Develop advertising that indicates that everyone is welcome and no one is excluded, expanding my client’s and customer’s opportunities to see, buy, or lease property.
- Inform my clients and customers about their rights and responsibilities under the Fair Housing Laws by providing brochures and other information.
- Document my efforts to provide professional service, which will assist me in becoming a more responsive and successful Realtor.
- Refuse to tolerate non-compliance.
- Learn about those who are different from me, and celebrate those differences.
- Take a positive approach to fair housing practices and aspire to follow the spirit as well as the letter of the law.
- Develop and implement fair housing practices for my firm to carry out the spirit of this declaration.

California Association of Realtors

The California Association of Realtors (CAR) is a trade association of Realtors statewide. As members of organized real estate, Realtors subscribe to a strict code of ethics as noted above. The CAR has recently created the position of equal opportunity/cultural diversity coordinator. The CAR holds three meetings per year for its general membership, and the meetings typically include sessions on fair housing issues.

Realtor Associations Serving Merced

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 among 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 statistics on the education/services the agencies provide or statistical information pertaining to the members is rarely available. The Merced Association of REALTORS® services the City of Merced. Contact information is as follows:

Merced County Association of REALTORS®

1929 Boise Avenue
Modesto, CA 95358
Phone: 209-725-2165

California Department of Real Estate

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 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.

On or after January 1, 1996, a real estate salesperson renewing his/her license for the first time must complete separate 3-hour courses in agency, ethics, trust fund handling and fair housing to qualify for renewal. All licensees, with the exception

of those renewing for the first time, are required to complete a full 45 hours of continuing education for each license renewal.

For the initial renewal on or after January 1, 1996, the law requires, as part of the 45 hours of continuing education, completion of four mandatory 3-hour courses in agency, ethics, trust fund handling and fair housing. 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 customer service or consumer protection, at the option of the licensee.

The DRE requires all licensees to provide proof of continuing education courses with the following exceptions:

- An applicant provides proof that he/she is 70 years of age or older.
- An applicant provides proof that he/she has been licensed for 30 consecutive years.

Fair Housing Practices in the Rental Housing Market

Similar to the homeownership market, a major challenge to ensuring fair housing in the rental market is the complexity of the process. There are several stages in the process of renting a home or an apartment: 1) the advertising and outreach stage, 2) pre-application inquiries and responses, 3) the criteria for acceptance, 4) the lease and 5) administration of the lease. This section discusses these phases of the rental process. Although a potential homebuyer may face discriminatory practices primarily during the process of purchasing a home, a renter may confront housing discrimination not only during the process of renting but throughout the tenancy.

The Apartment Rental Process

Although the process of renting an apartment may be less expensive and burdensome up-front than the home-buying process, it may still be just as time-consuming and potential renters may still face discrimination during various stages of the rental process.

Advertising

Like finding a home to purchase, the main sources of information are the classified advertisements in local newspapers, word of mouth, signs, apartment guides, the Internet and apartment brokers. The same types of discriminatory language previously described under the Homeownership Process may be used by landlords or apartment managers to exclude “undesirable elements.”

A particularly difficult situation to address is the development of small apartment complexes during the housing boom. These new complexes are sometimes owned

and operated by property owners who are new to the rental housing industry. Compliance with fair housing laws is difficult to monitor among the large number of small property owners. Outreach to this group is also difficult because many of these owners do not belong to the Apartment Owners or Apartment Managers associations and are not active in participating in events/trainings offered by these associations. Advertising by small property owners may not always comply with the fair housing laws. For example, rental ads in local Spanish-language newspapers do not always appear in the English-language newspapers, as required by law.

Viewing the Unit

Viewing the unit is the most obvious place where potential renters could encounter discrimination because landlords or managers might discriminate based on race or disability, or judge on appearance whether a potential renter is reliable or might violate any of the rules. For example, there have been cases where a manager tries to deter a family by indicating strict occupancy standards or frowning on the presence of young children accompanying a viewer. Furthermore, discrimination against families with children and people with disabilities is even more prevalent than racial discrimination.

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. Recent legislation provides for applicants to receive a copy of the report used to evaluate applications. In addition, applicants may request a copy of their credit report (for a fee) to verify that the information used to approve/deny their application is accurate.

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 a rental agreement includes the rental rate, the required deposit, length of occupancy, the apartment rules and termination requirements.

In a tight housing market, when a landlord can "financially afford" to choose tenants, the tendency is to offer shorter lease terms. In this case, a landlord might simply ask the "not-so-desirable" tenant to leave with a 60-day Notice to Vacate. Short-term leases also allow the landlord to raise rent more frequently.

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 the agreement might not be standard for all tenants. A landlord might act in a discriminatory way and choose strict enforcement of the rules for certain tenants based on arbitrary factors, such as race, presence of children or disability. Since the recent escalation of housing prices throughout California, complaints regarding tenant harassment through strict enforcement of lease agreements as a means of evicting tenants have increased.

Security Deposit

A security deposit is typically required to rent a housing unit. To deter “less-than-desirable” tenants, a landlord might ask for a security deposit higher than usual. Tenants could also face differential treatment when vacating the units. The landlord might choose to return a smaller portion of the security deposit to some tenants, claiming excessive wear and tear. A landlord might require that persons with disabilities with service animals pay an additional pet rent, a monthly surcharge for pets or a deposit, which is also a discriminatory act.¹⁸

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, these types of discrimination appear in differential enforcement of rules, overly strict rules for children, excessive occupancy standards and refusal to make a reasonable accommodation for handicapped access, refusal to make necessary repairs, eviction, notices, illegal entry, rent increases or harassment. These actions might be used as a way to force undesirable tenants to move on their own without the landlord having to make an eviction.

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. The CAA represents rental housing owners and professionals who manage more than 1.5 million rental units. Under this umbrella agency, various apartment associations cover specific geographic areas.

The CAA has developed the California Certified Residential Manager (CCRM) program to provide a comprehensive series of courses geared toward improving the approach, attitude and professional skills of onsite property managers and other interested individuals. The CCRM program consists of 31.5 hours of training that includes training on fair housing and ethics issues.

¹⁸Okeon, Molly R. (2008, January 21). “Keeping the house in order: Watchdog organization has fought discrimination for three decades.” *Pasadena Star-News*.

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 following provisions of their Code for Equal Housing Opportunity:

- *We agree that in the rental, lease, sale, purchase, or exchange of real property, owners and their employees have the responsibility to offer housing accommodations to all persons on an equal basis;*
- *We agree to set and implement fair and reasonable rental housing rules and guidelines and will provide equal and consistent services throughout our residents' tenancy;*
- *We agree that we have no right or responsibility to volunteer information regarding the racial, creed, or ethnic composition of any neighborhood, and we do not engage in any behavior or action that would result in steering; and*
- *We agree not to print, display, or circulate any statement or advertisement that indicates any preference, limitations, or discrimination in the rental or sale of housing.*

The CAA provides members with information and training on such topics as ethics, credit checks, addressing code enforcement violations, property management and pre-inspections.

Fair Housing Services

In general, fair housing services include investigating and resolving housing discrimination complaints; discrimination auditing and testing; and education and outreach, such as disseminating fair housing information through written materials, workshops and seminars. Landlord/tenant counseling services involve informing landlords and tenants of their rights and responsibilities under fair housing law and other consumer protection legislation and mediating disputes between landlords and tenants.

Housing Impediment Survey Results

Housing Impediment Survey Responses

The City of Merced administered fair housing survey to review the opportunities and problems associated with people's ability to attain housing within the City of Merced. A total of 26 surveys were received. Survey responses from Merced residents provide valuable insight into understanding potential housing impediments and gauge community sentiment regarding fair housing services. The survey contained the following 7 questions:

1. Have you ever encountered any forms of housing discrimination or known someone who has?
2. If you believe or think that you or someone you know encountered housing discrimination, what type was it?
3. Do you feel that you are well-informed on Housing Discrimination?
4. What would you do if you encountered Housing Discrimination?
5. If you were to report Housing Discrimination, who would you report it to?
6. If you think that Housing Discrimination is occurring, what types of discrimination do you think are the largest problems in Merced?
7. What can be done to prevent housing discrimination in Merced?

The first 5 were multiple choice and provided for the following responses:

For question 1, the majority of respondents, 61 percent, do believe they have encountered or known someone who has encountered any form of housing discrimination. Approximately 27 percent of respondents do not believe they have ever encountered any form of housing discrimination.

For question 2, 80 percent of respondents believed they or someone they knew encountered discrimination through "refusing, discouraging, or charging more to rent an apartment or buy a home." This was followed by 50 percent of respondents who believed that they or someone they knew encountered housing discrimination through "steering a person to another apartment, complex or neighborhood."

For question 3, approximately 35 percent of respondents believed that they were well-informed or somewhat informed on housing discrimination issues. Only 8percent of respondents said that they were not well-informed enough.

For question 4, approximately 56.4 percent of Merced respondents would report it if they encountered housing discrimination. Only 7.7 percent of respondents said they would ignore it if they encountered housing discrimination.

Finally, question 5 shows that the majority of respondents, 35.6 percent, do not know who to report housing discrimination to. This was followed by 34.2 percent of respondents who would report it to the City of Merced, while 30.1 percent would report it to the Housing Authority of the City of Merced.

The last two were narrative form, which respondents provided the following comments:

6. If you think that Housing Discrimination is occurring, what types of discrimination do you think are the largest problems in Merced?

- Racial
- N/A
- I think it is that they only want to rent a room to one person and most young people can't afford to pay a lot because they earn too little and they are taxed a lot in their income

7. What can be done to prevent housing discrimination in Merced?

- Rent Control
- N/A
- The cities are the ones who say they can't rent to no more than three unrelated people. But with the economy being still bad and the low wages it is hard for especially young adults to find affordable housing. They don't even meet the requirements to rent because they even with a partner don't earn three times what the rent is. They live (live) pay check to pay check.

Section 6

Conclusions, Impediments and Actions

The earlier sections of this AI identify common problems and potential barriers to fair housing in the City of Merced. This section builds on the previous analysis, summarizes conclusions and outlines the City's commitment to actions for addressing the impediments to fair housing. Certain households and individuals may be more susceptible to discrimination due to special circumstances, needs or personal attributes.

Conclusions and Impediments

The following is a list of key conclusions and potential impediments that may exist in the City of Merced.

Lack of Funding for Local Social Service Agencies

City of Merced Housing Division and other local agencies have inadequate funding support to meet the social service needs of Merced residents. In surveys provided, agencies explained that funding from State of California (dissolution of Redevelopment Agency), Federal Sources, and budgets have been dramatically reduced, while demands for their services have grown larger. This mirrors responses provided from residents. Below are key statements provided during the community meeting:

- *The biggest impediment is a lack of resources as administrative fees to administer housing have been cut.*
- *It can be difficult to get private owners to make reasonable accommodations.*
- *The complications of job loss, high rents, and disabilities combined lead to possible homelessness.*

- *Funding sources, whether at the Local, State, or Federal level may be have been diminished.*

Merced Demographics

Race and Ethnicity

The 2010 United States Census reported that Merced had a population of 78,958. The population density was 3,386.4 people per square mile (1,307.5/km²). The racial makeup of Merced was 41,117 (52.2%) White (including Hispanic or Latinos who identify as White), 4,958 (6.3%) African American, 1,153 (1.5%) Native American, 9,342 (11.8%) Asian, 174 (0.2%) Pacific Islander, 17,804 (22.5%) from other races, and 4,350 (5.5%) from two or more races. Hispanic or Latino of any race were 39,140 persons (49.6%).

Large Households and Overcrowding

Large households often face discrimination in the housing market, particularly in the rental housing market. Landlords might discriminate against large families for fear of excessive wear and tear or liability issues related to children.

According to both California and federal standards, a housing unit is considered overcrowded if it is occupied by more than one person per room (excluding kitchens, bathrooms and halls). Occupancy by more than 1.5 persons per room constitutes “severe” overcrowding. Factors contributing to the rate of overcrowding in Merced include housing costs, an increase in the number and proportion of large family households and an inadequate supply of large family rental and ownership units. As indicated in the table below (2008-2012 ACS data), out of 24,120 occupied housing units in Merced 2,079 were overcrowded, 2.7% of owner-occupied units and 5.9% of renter-occupied units being overcrowded.

Disabilities

U.S. Census data for 2000 indicated that for individuals between the ages of 21 and 64, approximately 26.3 percent of this age group in Merced had some form or type of disability that may impede their ability to earn an adequate income or find suitable housing accommodations to meet their special needs. Therefore, many in this group may be in need of housing assistance. Households containing handicapped persons may also need housing with special features to allow better physical mobility for occupants.

Public Transit Accessibility

The lack of a relationship between public transit, employment opportunities and affordable housing could impede fair housing choice because persons who depend on public transit will have limited choices regarding places to live.

Merced is generally well served by public transit. Many of the major employers in the City provide public services and are easily accessible by transit, including the Merced City Hall and the Merced City Schools.

Housing Conditions

Tenure

The 2011 ACS provides data on housing tenure by age. Table B-21 provides a summary of housing unit tenure by age. Approximately 50 percent of owner occupied units in the City were built in 2000 or later. However, about 20 percent of owner-occupied units were built before 1980 and about seven percent were built before 1960. Of the renter-occupied units, 44 percent were built before 1980 and about 11 percent were built before 1960.

Housing Stock

According to DOF, approximately three percent of Merced County's housing units are within Merced's boundaries. As shown in Table B-14, in 1990 Merced had 13,028 housing units. By 2000, the city experienced an increase of 16,899 housing units. By 2012, an estimated 29,409 housing units was within the City.

Affordable Housing Units

The future availability of Section 8 funding is uncertain. In the event that Section 8 funding is no longer available, rent subsidies can be used to maintain affordability by using local, state or other funding sources. The subsidies can be structured to mirror the Section 8 program, whereby tenants receive the difference between the Fair Market Rent (determined by HUD and the local housing authority) and the maximum affordable rent of the tenant (30% of household income).

Assisted multi-family rental developments which could potentially lose affordable units by the year 2010 are Merced Commons I and II, Merced Gardens, Merced Meadows, and Merced West Manor, which contain a total of 340 affordable units. The Merced Commons I and II Apartments, containing 147 affordable units, is under contract through the year 2020 and 2011 respectively.

Foreclosures

There has been concern regarding the foreclosing process throughout Merced County. While foreclosures are not necessarily the direct result of predatory lending or loans that are of higher risk, high foreclosure rates within a City may be equated with poor loan processes or lack of financial education and a cause of concern.

Public Policies

Zoning

Merced has committed to designating a zone to allow emergency shelters as a permitted use in compliance with SB 2. At this time, the City feels the best zone for this use would be the General Commercial (C-G) zone. Currently, there is sufficient land available within the C-G zone to accommodate emergency shelters. The existing emergency shelter operated by the Merced County Community Action Agency is located within a C-G zone.

Homeless

the most recent information available for the City and the County is a “point-in-time” count of sheltered and unsheltered homeless persons conducted by volunteers for the Merced County Continuum of Care (CoC) in January 2015. This “point-in-time” survey revealed a total of 899 adults and children of whom 872 were adults and 23 were children. Of the 899 persons counted, 743 adults were unsheltered and 156 (133 adults and 23 children) in temporary shelters or transitional housing programs as required by the U.S. Department of Housing and Urban Development (HUD) and will be the numbers officially reported to HUD as required of all Continuum’s of Care (CoCs). As recorded below, this represents an increase of 17% or 131 persons when compared to the 2014 homeless count and survey.

Actions

The proposed actions to address the impediments to fair housing choice are organized by type.

Expanding Affordable Housing Opportunities

1. Housing Partnerships

Action 1.1 The City will continue to explore the development and rehabilitation of affordable housing opportunities with its local non-profit and for profit developers, as well as employers. Local partners include, but are not limited to the following:

- Housing Authority of the County of Merced
- California Department of Housing and Community Development

Time Frame: *Ongoing*

2. Zoning Ordinances

Action 2.1 The City will amend the C-M (Commercial Manufacturing) zoning district to allow emergency shelters as a permitted use.

Time Frame: *By December 2015*

3. Housing Choice for Special Populations

Action 3.1 The City will continue to work with local non-profits to provide federal, state and local funding to assist in the development of new housing opportunities in non-minority concentrated areas of Merced. The City will continue to administer successful programs that provide funding and support for affordable housing.

Time Frame: *Ongoing*

Action 3.2 (Low Income Seniors) The City shall continue to facilitate the construction of affordable rental housing for very-low and low- income seniors.

Time Frame: *Ongoing*

Action 3.3 (Low Income Large Families) The City shall promote the construction of affordable for-sale and/or rental housing units with three or more bedroom units affordable to very low- and low-income families. The City shall publicize financial and regulatory incentive opportunities to developers for these unit types including promote the need for three or more bedroom units during pre-application meetings, contacting affordable housing developers, and creating informational fliers at the Housing Department and in all general application packets.

Time Frame: *Ongoing*

Action 3.4 (Homeless) The City shall support the Continuum of Care (CoC) 10 year plan to End Chronic Homelessness and finding in their 2015 Point on Time survey.

Time Frame: *Ongoing*

Access to Financing

4. Outreach to Mortgage Originators

Action 4.1 The City will work with local lenders, escrow and title companies, and real estate agents to promote tools that reduce the costs of homeownership.

Time Frame: *Ongoing*

5. Education and Resources

Action 5.1 As funding permits, the City or other funded programs will work with other fair housing advocates to conduct additional fair housing workshops in Merced to educate about fair housing rights.

Time Frame: *Ongoing*

Action 5.2 The City will work with the Sentinel to develop an affirmative marketing plan to reach groups that are least likely to apply and have disproportionate housing needs and after conducting the outreach, monitor how effective the affirmative marketing plans were in reaching those groups.

Time Frame: *Annually*

6. *Unfair Lending and Insurance Practices*

Action 6.1 The City will monitor complaints regarding unfair/predatory lending and will assess lending patterns using the data collected under the Home Mortgage Disclosure Act (HMDA), the Community Reinvestment Act (CRA) and other data sources.

Time Frame: *Monitor the HMDA with each update to the Analysis of Impediments to Fair Housing Choice to identify potential issues with unfair lending practices*

Fair Housing Services

7. *Apartment Owners/Managers*

Action 7.1 The City will work in conjunction with apartment owner/manager associations to outreach to owners of small rental properties regarding fair housing laws.

Time Frame: *Ongoing*

Action 7.2 The City will work with agencies and the property managers of affordable housing to ensure that fair housing laws are abided by in the selection of residents and that information of housing availability is appropriately advertised. The City will continue to provide outreach related to affordable housing opportunities through advertisements and literature available in English and Spanish.

Time Frame: *Ongoing*

Action 7.3 In addition to addressing the fair housing calls through the City's Fair Housing Program, the City will continue to track the type of complaints received.

Time Frame: *Ongoing*

8. *Reasonable Accommodation for persons with disabilities*

Action 8.1 The City will provide information on reasonable accommodation to housing units.

Time Frame: *Ongoing*

I, John M. Bramble, hereby certify that this Analysis of Impediments to Fair Housing Choice for the City of Merced represents the City's conclusions about impediments to fair housing choice, as well as actions necessary to address any identified impediments.

City Manager  Date 05-14-15 City of Merced

