CITY OF HESPERIA

AMENDMENT 1
ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

City of Hesperia
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I. INTRODUCTION

The City of Hesperia completed an Analysis of Impediments to Fair Housing Choice (AI) in 2003, in compliance with HUD regulations. Each year the AI is reviewed to determine if additional impediments have been presented, for inclusion in the City’s CDBG Annual Action Plan, which is submitted to the U. S. Department of Housing and Urban Development.

The purpose of the report, as stated, was to provide an overview of laws, regulations, conditions or other possible obstacles that may affect an individual’s or a household’s access to housing in Hesperia. According to HUD Regulations the AI involves:

- A review of Hesperia’s laws, regulations, and administrative policies, procedures, and practices;
- An assessment of how those laws affect the location, availability, and accessibility of housing, and
- An assessment of conditions, both public and private, affecting fair housing choice.

For purposes of this amendment, the Analysis of Impediments to Fair Housing Choice is being updated to provide for the Neighborhood Stabilization Program (NSP). A comprehensive update, including revised demographics is anticipated for this program year. However, this update will focus on the NSP program goals and the identification of any potential impediments to the program’s success.

II. NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

The Neighborhood Stabilization Program, commonly referred to as NSP, was developed as part of the American Recovery and Reinvestment Act (ARRA) in February 2009. The Act was in response to the economic downturn that resulted in a housing market collapse and significant increases in foreclosures. The NSP funds were made available through a special entitlement program based upon foreclosure rates and economic impact in designated localities. The purpose of ARRA is to:

1. Preserve and create jobs and promote economic recovery;
2. Assist those most impacted by the recession;
3. Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
4. Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
5. Stabilize State and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.
NSP funds are designated for use in alleviating the foreclosure crisis on local communities by providing funds for acquisition, rehabilitation, construction, redevelopment, land banking, financing and resale or rental of acquired units. Additionally, twenty-five percent of the total allocation is designated for use in direct housing benefits for persons at 50 percent or below the median income. Local governments were given the task of developing a strategic plan detailing the manner in which the jurisdiction will allocate funds to address the needs of the community.

Community Profile

Since the 2000 Census, the City saw significant increases in population, income levels and home values according to the Census estimates in the 2008 American Communities Survey:

- Total population has increased to an estimated 94,798 persons;
- The Hispanic population is equal to 47.5% of the total population;
- Total number of households has increased to 27,000;
- Total number of housing units have increased to 28,775;
- The vacancy rate was estimated at eight percent;
- The majority of the City’s housing units were built after 1980;
- Single-family housing continues as the dominant housing type (87%);
- Owner-occupied units are dominant at 70.4% verse 29.6% rental units;
- The median household income has increased to $49,125;
- The median home value has increased to $254,500;
- An estimated 18% of all families had incomes below the poverty level;
- An estimated 68.8% of households spend 30% of more of gross income on housing costs.

Notwithstanding, in 2008 the entire nation began to feel the effects of the economic downturn, including the collapse of the housing industry. The increasing numbers of foreclosures began to accumulate a critical mass, which prompted the passage of the American Recovery and Reinvestment Act (ARRA) in 2009, including the NSP program.

NSP grant funds were allocated as a special entitlement program to cities that qualified based upon decreasing housing values, foreclosure rates and overall economic decline as a result of the housing market collapse. Data compiled by the Department of Housing and Urban Development (HUD) and local sources indicate that the City is among the Inland Empire jurisdictions with the highest rate of foreclosures and the highest percentage of homes at risk of foreclosure and abandonment.

As of October 9, 2008, 6.1% of all homes in San Bernardino County were involved in the foreclosure process at one of the three major stages (NOD, NOTS, or REO), and 3.2% of homes were bank-owned (REOs). In comparison, 10.9% of homes in Hesperia were at some point in the foreclosure process, and 5.9% were bank-owned. Hesperia has the fourth-
highest foreclosure rate in San Bernardino County and is experiencing foreclosures at a rate significantly higher than the county-wide average.

The HUD data includes the following information:

- Rate of housing price decline since the peak of the market, as of June 2008—Home prices over the entire MSA have declined by 23%;

- Unemployment rate, as of June 2008—Hesperia’s rate is 10.2%;

- Residential 90-day vacancy rate, as of June 2008—Hesperia’s rate ranges from 0% to 11%;

- Rate of high cost loans originated between 2004 and 2006—Hesperia’s rate ranges from 22% to 48%, with most of the City exhibiting a high cost loan rate greater than 36%;

- Estimated foreclosure/abandonment risk score (calculated by HUD, on a scale of 1 to 10 with 10 being the highest risk)—Hesperia’s scores range from 3 to 10, with the vast majority of the City scoring 9 or 10;

- Predicted 18-month foreclosure rate—Hesperia’s rate ranges from 7.6 to 12.6%, with the vast majority of the City having a rate of 10% or higher.

As part of the NSP program, HUD broadened the definition of the standard low- and moderate-income eligibility classification to include a middle income group. The HUD-designated “low-, moderate- and middle-income” (LMMI) areas are block groups in which 51% or more of residents have incomes at or below 120% of Area Median Income (AMI), based on Census 2000 data. The majority of the City is included in these LMMI areas, and these areas typically have significant foreclosure-related needs.

**Adopted Strategy**

The City of Hesperia developed a comprehensive plan for addressing the foreclosed properties that were becoming increasingly available. The plan included:

- Acquisition and rehabilitation for resale

  This project will address neighborhood stabilization in areas of greatest need through the purchase, rehabilitation, and resale of foreclosed properties. This activity will provide affordable homeownership opportunities for households earning less than 120% of area median income, with a focus on households between 51% and 120% of area median income.

- Acquisition and rehabilitation for rental
This project will address neighborhood stabilization in areas of greatest need through the purchase, rehabilitation, and rental of foreclosed properties. Funds used for this activity will be used to meet the low income housing requirement of spending 25 percent of NSP funds for households at 50 percent of area median income or below. The program will allow flexibility to transfer ownership of homes purchased and rehabilitated with NSP funds to a public or nonprofit sponsor who would operate a lease to purchase program.

- Land banking for neighborhood redevelopment

This activity will address neighborhood stabilization in areas of greatest need described above through purchasing, maintaining, assembling and disposing of foreclosed homes and vacant residential properties for stabilizing neighborhoods and encouraging re-use or redevelopment, thus minimizing blight and ultimately leading to additional benefits that may include affordable housing.

- Rehabilitation/reconstruction of residential properties

This activity will address neighborhood stabilization in areas of greatest need through the redevelopment of demolished or vacant properties. This activity would allow for the acquisition/demolition/redevelopment of foreclosed, abandoned residential properties that would require more funds to rehabilitate than to demolish and rebuild. This activity would also allow for the development of vacant property.

- Homeownership assistance

This activity will address neighborhood stabilization in areas of greatest need through financial assistance for an income eligible household to acquire a foreclosed, abandoned home. It will provide homeownership opportunities for households earning between 50 percent and 120 percent of area median income. The City will provide financing that is at least sufficient to bridge the gap between the purchase price that income-eligible homebuyers can afford, according to the program’s affordability standards, and the total amount of funds used to acquire and rehabilitate the home. The assistance will take the form of a “silent second” deferred payment loan with a proportionate equity share in lieu of interest. No monthly payments will be required; the loan and equity share become due at the change in title of the property.

III. ANALYSIS OF IMPEDIMENTS

As stated in the City’s adopted AI and included here, equal access to housing is fundamental to each person in meeting essential needs. Recognizing this fundamental right, the federal and State governments have both established fair housing as a right protected by law.

Fair Housing is defined as 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, marital status, familial status, source of income, or any other arbitrary factor.

The federal fair housing laws prohibit discrimination in the sale, rental, lease or negotiation for real property based on: race, color, religion, sex, national origin, familial status, and disability. The California fair housing laws are built upon the federal laws and add marital status, ancestry, source of income, sexual orientation, and “any arbitrary discrimination” as the protected categories under the laws.

The fair housing equation must be balanced on both sides: equal access to fair housing and the availability of a range of housing choice. Many factors in the public and private domains impede equal access to housing or fair housing choice. Impediments to fair housing choice are:

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

- Any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation or any other arbitrary factor.

The Analysis of Impediments to Fair Housing Choice prepared by the City of Hesperia in 2003 provided an extensive overview for review of housing choices based on the demographics of the community. The AI was organized to cover:

- The definition of fair housing and purpose of the report;
- A community profile including demographics including housing and income;
- A review of mortgage lending practices;
- A review of public policies;
- An assessment of fair housing practices; and
- A listing of findings, recommendations, and actions to eliminate impediments,

This amendment will focus on the identified impediments previously outlined in the AI, any additional impediments identified that would impact the NSP program, and recommendations and actions to eliminate identified impediments.

IV. POTENTIAL IMPEDIMENTS

The following is a list of key potential impediments that may exist in Hesperia.

Housing and Household Characteristics
The population of Hesperia has experienced significant changes in regards to race and ethnicity. From 1990 to 2000, the proportion of Hispanic residents increased from 19 percent to 29 percent, while the proportion of White residents decreased from 76 percent to 62 percent. Then from 2000 to 2008, the proportion of Hispanic residents had increase from 29 percent to 48 percent. The proportion of white residents also increased to 84 percent. However, the proportion of fair housing complaints filed by Hispanic persons continued to increase.

Compared to other communities in the Inland Empire housing prices within Hesperia are relatively affordable. The median price for a single-family home sold in Hesperia in 2000 was $143,000. In 2008 the value had increased to $254,500, however, in comparison to other areas, most of the moderate-income households can afford many of the smaller single-family homes available on the market. However, affordable housing opportunities remain limited for lower income households. Furthermore, downpayment and closing costs may be obstacles to such households in achieving homeownership.

As is the case in most Southern California communities, renter households are disproportionately affected by the problems of housing cost burden and overcrowding.

**Access to Financing**

While conventional home financing is generally available to Hesperia residents, the majority of home purchase loan applications were originated from upper income households. However, the loan approval rate for lower income applicants did not differ considerably from upper income applicants.

A large proportion of households in Hesperia utilized government-backed financing for home loans. Government-assisted home loans constituted nearly half of all home purchase loan applications in the City. A greater proportion of Hispanic applicants than White applicants relied on government-backed financing than conventional financing. Comparatively, Hispanic households have more difficulty accessing financing in the conventional market.

Among all conventional home loan applicants, African Americans had the lowest approval rate and highest denial rate.

Only a small percentage of households utilized government-backed sources of financing for home improvement loans compared to conventional financing.

Hispanic and Black households had noticeably lower approval rates for home improvement loans than White and Asian households.

Approval rates differ significantly by lender. Among the top ten lenders active in the City, the discrepancy in approval rates was 26 percentage
points in 2005. In 2009 the market is changing rapidly and approval rates are unclear at this time.

Fair Housing Complaints and Services

- The largest proportion of fair housing complaints relates to race, national origin, familial status, and disability.

- Compared to the overall city demographic profile, African American households comprised a larger proportion of fair housing complainants.

- Testing on lending and the homebuying process are difficult and costly.

- The Inland Fair Housing and Mediation Board (IFHMB) conducted one test regarding disability in Hesperia in 2006 to investigate validity of complaints.

Public Policies

- The current Second Dwelling Unit permit requirement for second units is consistent with the recently amended State law.

- The City’s administrative policies regarding City commissions and committees are aimed toward expanding citizen participation. Outreach to the Hispanic and other minority groups may be expanded to solicit participation in City commissions and committees.

Amendment 1

Based on a review of the potential impediments to fair housing choice in relation to the NSP program, no new impediments have been identified that are specific to this program. To the contrary, the NSP program provides opportunities and actions that increase the affordable housing choices and opportunities.

V. ACTIONS

While the AI identifies a number of potential issues, certain issues are beyond the ability of a local jurisdiction to address, such as those related to lending practices. The actions identified below represent those that can be feasibly addressed by the City. This amendment incorporates those actions previously adopted in the 2003 AI without change and adds certain actions specific to the support of the NSP program.

Expanding Affordable Housing Opportunities

The fair housing equation has two sides. One the one side is the availability of a range of housing choices and on the other side is equal access to those choices. Therefore, a community must ensure that a range of housing choices is available to meet the various needs of all income segments in the community.
Action 1: The City will continue to provide homeownership opportunities in the community by promoting its First-Time Homebuyer Downpayment Assistance Program. The City will focus outreach efforts towards lower income households, particularly to Hispanic households, since they have more difficulty obtaining financing. Specifically the City will provide advertisements and workshops in both Spanish and English to inform residents about this program. (Dependant upon funding approval through the State HOME program).

Action 2: The City will continue to facilitate the development of housing for all income groups within the community. The City will focus on facilitating affordable housing development through a combination of financial and regulatory assistance. Specifically, the City will work to provide affordable housing throughout the community, avoiding an over-impaction of specific neighborhoods.

Action 3: The City will work with the fair housing service provider or other housing service agency to hold a credit workshop(s) for households entering or re-entering the rental market. Credit history information, the apartment rental process, and fair housing rights and responsibilities will be discussed.

Rehabilitation Assistance

Action 4: The City will continue to provide rehabilitation assistance for owner-occupied housing in the community through its Owner Occupied Housing Rehabilitation Loan Program. The City will ensure that information about these programs be provided in the City's brochures, advertisements, and website in both English and Spanish.

Action 5: The City will ensure that Spanish speaking staff is available to assist residents regarding code enforcement, housing rehabilitation, and other housing services.

Access to Information

Action 6: The City will work to expand its website to provide additional links to housing services and resources, such as a link to the fair housing service provider and a link to the Fannie Mae Foundation that offers free guides and resources for first-time home buyers in English, Spanish, and other languages.

Public Policies and Programs

Action 7: The City will continue to pursue affordable housing development programs identified in the adopted Housing Element. To the extent feasible, the City will facilitate the development of housing affordable to lower and moderate-income households according to the Regional Housing Needs Allocation (RHNA) identified in the Housing Element.
Action 8: A second unit is a separate dwelling unit that provides complete, independent living facilities for one or more persons. Second units can provide additional housing opportunities for many special needs groups including seniors, college students and other groups. Recent passage of AB1866 (effective 2003) requires cities to allow a second unit pursuant to a ministerial permit in appropriate zones. The City is in compliance with AB 1866.

Action 9: The City will outreach to community groups representing the special needs populations and the minority groups, particularly the Hispanic population, to solicit the participation of a diverse group in City commissions and committees.

Outreach to Lenders

Action 10: The City will work with local lenders and government institutions to provide outreach to lower income residents about government-backed financing, particularly for home improvement financing. The City will encourage local lenders to provide information in both English and Spanish.

Action 11: The City will encourage lenders, particularly local lenders, to hold homebuying workshops in Hesperia. These workshops should be held in both English and Spanish.

Fair Housing Services

Action 12: The fair housing service provider will continue to conduct fair housing workshops for residents, apartment owners, and property managers. The City will encourage the fair housing service provider to coordinate with the real estate associations regarding fair housing training.

Action 13: The City will support the fair housing service provider’s application to HUD for Fair Housing Initiative Program (FHIP) funds for fair housing testing and auditing. Specifically, the City will encourage the fair housing service provider to conduct testing on the lending and home buying processes.

HMDA Monitoring

Action 14: The fair housing service provider will monitor complaints regarding unfair lending, and assess lending patterns using the Home Mortgage Disclosure Act Data (HMDA) and other data sources.

Amendment 1

The following actions have been added in response to the adoption of the NSP program for acquisition and disposition of foreclosed homes and properties, including single and multi-family units.
Action 15: To the extent feasible, the City will facilitate the development of housing affordable to very low, low, moderate, and middle-income households as provided in the NSP regulations, according to the Regional Housing Needs Allocation (RHNA) identified in the Housing Element.

Action 16: The City or HCRA will sell the homes assisted with NSP funds to eligible buyers for an affordable price (which price shall be determined by the City and will not exceed the costs of acquisition, rehabilitation and redevelopment of the home).

Action 17: Through this program, the City will provide homeownership opportunities for households earning between 50 percent and 120 percent of area median income.

Action 18: The City will provide financing as available, that is at least sufficient to bridge the gap between the purchase price that income-eligible homebuyers can afford, according to the program's affordability standards. The assistance will take the form of a “silent second” deferred payment loan with a proportionate equity share in lieu of interest. No monthly payments will be required; the loan and equity share become due at the change in title of the property. This program will operate in conjunction with the City’s existing down-payment assistance program.

Action 19: The City will also establish standards for and review the terms of homebuyer mortgages to ensure that such mortgages will not jeopardize the affordability of the assisted home under this program.

Action 20: Homebuyers participating in this program will receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before purchasing the home, per the NSP requirements.

Action 21: To ensure continuing affordability, all homes and properties assisted under this program for resale will either be subject to deed restrictions, which will require that residential units remain affordable to low, moderate and middle income households, as defined by HUD, for a specified term, and/or they will be subject to a shared appreciation agreement.

Action 22: NSP funds for Activity 2, Acquisition/Rehabilitation and Rental, will be used to meet the low income housing requirement of spending 25 percent of NSP funds for households at 50 percent of area median income or below.

Action 23: The program will allow flexibility to transfer ownership of homes purchased and rehabilitated with NSP funds to a public or nonprofit sponsor who would operate a lease to purchase program. The City or HCRA may also operate the lease to purchase program. Initial rents would be required to conform to the requirements for affordable rents defined above.
VI. REFERENCE TO ADOPTED FAIR HOUSING PLAN

Except for those revisions provided here for the inclusion of actions to support the Neighborhood Stabilization Program and activities related to NSP implementation, the remainder of the adopted 2003 Analysis to Impediments is unchanged and incorporated here by reference as the governing document, inclusive of this amendment.

VII. SIGNATURE OF AUTHORIZED REPRESENTATIVE

I, Mike Podegracz hereby certifies that this Amendment to the adopted Analysis of Impediments to Fair Housing Choice for the City of Hesperia represents the City’s conclusions about impediments to fair housing choice, as well as actions to address any identified impediments.

___________________________________________  _________________
Mike Podegracz       Date
City Manager