

# ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

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## EXECUTIVE SUMMARY

This document provides an analysis and update to the federally mandated Analysis of Impediments to Fair Housing Choice (AI) for the City of Monterey. This AI will assist the City in its mission to further fair housing in the community and improve the state of fair housing in the City.

## WHAT IS THE ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE (AI)?

The US Department of Housing and Urban Development (HUD) requires all recipients of federal funding to conduct an AI, and to review and update it every five years. This document outlines fair housing concerns, such as discrimination in lending practices or governmental barriers to housing, that disproportionately impact persons who belong to state and federally identified protected classes. As defined by the HUD Fair Housing Planning Guide (1996), 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, 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, or any other arbitrary factor.

The AI assesses how a variety of conditions in a community contribute to housing discrimination and affect the accessibility of housing based on these arbitrary factors. These conditions may include laws, government policies, real estate practices, and local conditions that can result in impediments to fair housing choice. The AI process includes examining these impediments and determining what actions may be taken to lessen or eliminate their impacts.

## Purpose of the Report

In order to protect individuals from housing discrimination, communities must make efforts to affirmatively further fair housing by identifying factors in a community that contribute to housing discrimination, and take actions to mitigate these impacts. As a recipient of both Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) funding, the City of Monterey is required to undergo this process.

## IMPEDIMENTS IDENTIFIED

Upon delineating the impediments in the previous AI, it was necessary to update some of the impediments by strengthening the language, or in some cases, creating multiple impediments out of what was previously one impediment. The following is a list of the restructured impediments, including those that remain the same from the previous AI.

### 1. Mortgage Lending

- Differential origination and denial rates in neighborhoods of Monterey
- Lack of education on the lending process among lower-income and minority households

### 2. Affordable Housing

- Barriers to development of affordable housing for protected classes
- Lack of affordable housing supply for large households, which disproportionately impacts minorities, low-income households, and families with large households
- Lack of affordable housing supply, particularly for low-income special needs households and persons with disabilities

### 3. Lack of Education and Awareness about Fair Housing

### 4. Presence of Lead-Based Paint

### 5. Housing Choice (Section 8) Voucher Use

## ANALYSIS OF IMPEDIMENTS AND THE AFFIRMATIVELY FURTHERING FAIR HOUSING RULE

In 2015, HUD determined that the AI needed to be reevaluated as a tool to help communities meet the obligation of the Affirmatively Furthering Fair Housing Rule, which is required whenever a jurisdiction accepts HUD funding. The evaluation resulted in a new set of tools and a new format for jurisdictions to evaluate fair housing challenges in their communities. The new Affirmatively Furthering Fair Housing Rule included a new documentation process called an Assessment of Fair Housing (AFH). The AFH is designed to be a more regional effort, based on the understanding that fair housing challenges are not constrained by jurisdictional boundaries, and that the housing market, especially in urbanized areas, flows across borders with little differentiation from unincorporated county, to city, to neighboring city. Additionally, changes in the housing and labor markets have resulted in very different dynamics between central cities and associated suburbs, and any analysis of a single jurisdiction will provide very limited and potentially misleading conclusions.

The City of Monterey is currently coordinating with Monterey County, the Cities of Seaside and Salinas, and other neighboring jurisdictions to prepare for a regional AFH. The timing for the regional AFH is out of sync with the City's Consolidated Plan schedule and with the City's previous AI schedule. The proposed regional AFH is scheduled for the 2018–2019 fiscal year. The City has elected to update the previous AI (completed in 2010) to prevent any long period gaps in analysis. The update is intended to meet two primary needs. First, it is intended to address issues identified in the 2010 AI to determine whether the existing conditions have improved, worsened, or remained static. Second, the update is intended to bridge the gap between the criteria used to identify impediments under the old AI format and the criteria that identify fair housing challenges under the new AHF format.

This AI document is intended to be an interim document to cover the period until the regional AFH is completed. Several processes were streamlined for this limited update to the 2010 AI. First, the public outreach process was truncated. The AHF process includes a robust request for public outreach; to prevent confusion and duplicate efforts, the public outreach for this update was limited to stakeholder consultations and a public hearing. Second, only data that had significantly changed since the original 2010 AI was released was updated and reviewed. Data that was largely unchanged or was used for background information but did not directly relate to refining the impediments identified in the 2010 AI was left unaltered. Third, whereas a full AI includes significant analysis and research that provide background and context for any identified impediments, this limited update focused on addressing the impediments and the

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analysis necessary to directly identify changes to those impediments. HUD requires jurisdictions that receive federal funding to prepare evaluations of fair housing challenges in the community. The AFH is the new HUD approved format for fair housing analysis, and the regional AFH will replace the City's AI once it is completed and adopted. This AI update has been designed to help feed into the AFH, to reduce duplicate efforts, while at the same time keeping the City of Monterey in full compliance with HUD's fair housing requirements.

### INTRODUCTION

The City of Monterey is located in the Northern Central Coast of California on the southern edge of Monterey Bay. It was incorporated in 1890. Monterey is historically famous as an artisan destination, and served as the home of many famous painters and authors. Monterey is the first city in California to have a theater as well as a number of publicly funded institutions, including schools, libraries, and public buildings. Monterey is also historically known for its fishery businesses. While many of those are now defunct, the history has been preserved through the historic waterfront districts, Cannery Row and Fisherman's Wharf.

Monterey has since become a tourist destination known for its historic districts, aquarium, and recreation opportunities both on the coast and in the bay. Tourism comprises a substantial portion of its economic base. Other major employers in Monterey include the Community Hospital and military installations, such as the Defense Language Institute and the Naval Postgraduate School. The City of Monterey has a population of approximately 28,610, which increases substantially during the tourist season.

### WHAT IS FAIR HOUSING?

Equal access to housing is protected as a fundamental right by the governments of the United States and the state of California. This access is necessary in order for each person to meet essential needs and pursue personal goals such as education and employment. 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. California's fair housing laws are pursuant to and more stringent than the federal laws, by adding marital status, ancestry, source of income, sexual orientation, and "any arbitrary factor" as protected categories under the laws.

There are a variety of factors that impede access and choice in housing. In order to comply with state and federal laws and promote equal housing opportunity, communities must take steps to remove and/or mitigate the impacts of housing discrimination. The City of Monterey aims to provide fair housing opportunities to all residents and comply with all applicable local, regional, state, and federal laws.

### ORGANIZATION OF THE REPORT

Prior to completing this update, a preliminary analysis of the previous AI was completed and outlined in a memo to determine whether the AI needed to be completely rewritten or updated. That analysis determined that a full update to the AI was necessary to gain a deeper understanding of steps the City can take to more clearly define fair housing impediments and solutions.

This document will provide a formal update to the previous AI and will build on the preliminary memo by analyzing the impediments in the previous AI and the actions the City has taken to mitigate the impacts of these impediments. It will also reassess the City's understanding of impediments in order to act as a bridge between the existing AI process and HUD's new Affirmatively Furthering Fair Housing Rule, which passed in July 2015. This rule entails a more stringent process to clearly connect impediments to protected classes and set quantifiable, actionable goals to affirmatively further fair housing.

This AI consists of seven sections:

- Executive Summary
- Introduction
- Community Profile
- Private Sector Practices that Impact Fair Housing
- Public Sector Policies and Practices
- Conclusions and Recommendations

**Introduction** explains the purpose and process of the analysis of fair housing and provides a definition of fair housing.

**Community Profile** provides demographic information and analysis from the City of Monterey. This includes numbers and percentages of persons by age, ethnicity, familial status, and disability, as well as a variety of housing characteristics.

**Private Sector Practices that Impact Fair Housing** analyzes impacts the private sector has on fair housing, with a focus on the mortgage lending industry.

**Public Sector Policies and Practices** evaluates existing public sector practices and policies that impact fair housing in Monterey. These include services, practices, and activities that assist in providing fair housing in the City as well as policies and actions that may impede fair housing.

**Conclusions and Recommendations** discusses the conclusions and recommendations for the updated impediments.

### FUNDING SOURCE

The City of Monterey is an entitlement community that receives approximately \$200,000 of CDBG funding annually. Additionally, the City receives program income from loan programs that generally ranges in excess of \$500,000 annually. As per HUD regulations, the City has 20 percent of entitlement and current year program income funds available for administration of the CDBG program. The City commits to affirmatively further fair housing as part of the entitlement funding agreement each year. This AI update is part of the fulfillment of that commitment. The funds for this analysis were budgeted out of the City's planning and administrative CDBG entitlement and program income resources.

## COMMUNITY PROFILE

This chapter of the AI analyzes the demographic profile of Monterey, including income distribution, housing characteristics, and accessibility in Monterey. This information can show how different patterns in the City disproportionately impact members of protected classes.

### DEMOGRAPHIC PROFILE

Data in this section is sourced from the 2011–2015 American Community Survey (ACS), the 2010 US Census, and the California Department of Finance. The most recent data sources were used where possible.

**TABLE 1 POPULATION, 2010–2016  
MONTEREY COUNTY AND THE CITY OF MONTEREY**

	2010 (Census)	2016 (DOF)	% Change
Monterey County	415,057	437,178	5.3%
City of Monterey	27,810	28,610	2.9%

*Source: 2010 US Census; California Department of Finance 2016*

### Age Distribution

Age characteristics are important factors in evaluating housing needs, as different age groups have different family types, income levels, and needs.

Table 2 shows the age distribution in the City of Monterey, as compared to the County.

**TABLE 2 AGE DISTRIBUTION, 2015  
MONTEREY COUNTY AND THE CITY OF MONTEREY**

	Monterey County	City of Monterey
Under 19	29.5%	18.5%
20 to 34	22.7%	28.1%
35 to 49	19.2%	17.8%
50 to 64	17.0%	18.2%
65 to 79	8.2%	10.7%
80 and over	3.4%	6.7%
<b>Total population</b>	<b>428,441</b>	<b>28,283</b>

*Source: US Census 2011–2015 ACS 5-Year Estimates*

### Household Size and Tenure

Table 3 shows City and County households by number of persons in the household and tenure. This data reveals how the City and County differ in terms of proportion of households owning or renting, and proportion of larger households with four or more persons. There is a much lower proportion of households that own their unit, and a much lower proportion of larger households, in the City than in the County. This indicates that the high cost of housing in the City limits housing opportunities for larger households living in other parts of the County.

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**TABLE 3 HOUSEHOLD AND TENURE, 2015  
MONTEREY COUNTY AND THE CITY OF MONTEREY**

	Monterey County		City of Monterey	
	Number of Hslds	% of Total Hslds	Number of Hslds	% of Total Hslds
<b>Owner Occupied</b>	<b>61,747</b>	<b>49%</b>	<b>4,052</b>	<b>34%</b>
1-person Households	11,864	9%	1,301	11%
2-person Households	22,107	18%	1,767	15%
3-person Households	9,441	8%	460	4%
4+ person Households	18,335	15%	524	4%
<b>Renter Occupied</b>	<b>63,655</b>	<b>51%</b>	<b>7,733</b>	<b>66%</b>
1-person Households	15,168	12%	3,280	28%
2-person Households	13,438	11%	2,255	19%
3-person Households	10,039	8%	1,153	10%
4+ person Households	25,010	20%	1,045	9%
<b>Total</b>	<b>125,402</b>		<b>11,785</b>	

Source: US Census 2011–2015 ACS 5-Year Estimates

### Race and Ethnicity

Table 4 shows that Monterey County is much more ethnically diverse than the City of Monterey. The proportion of residents who are Hispanic or Latino is much larger in the County (57%) than in the City (17%). The proportion of non-white residents is similar between the City and the County.

**TABLE 4 RACE AND ETHNICITY, 2015  
MONTEREY COUNTY AND CITY OF MONTEREY**

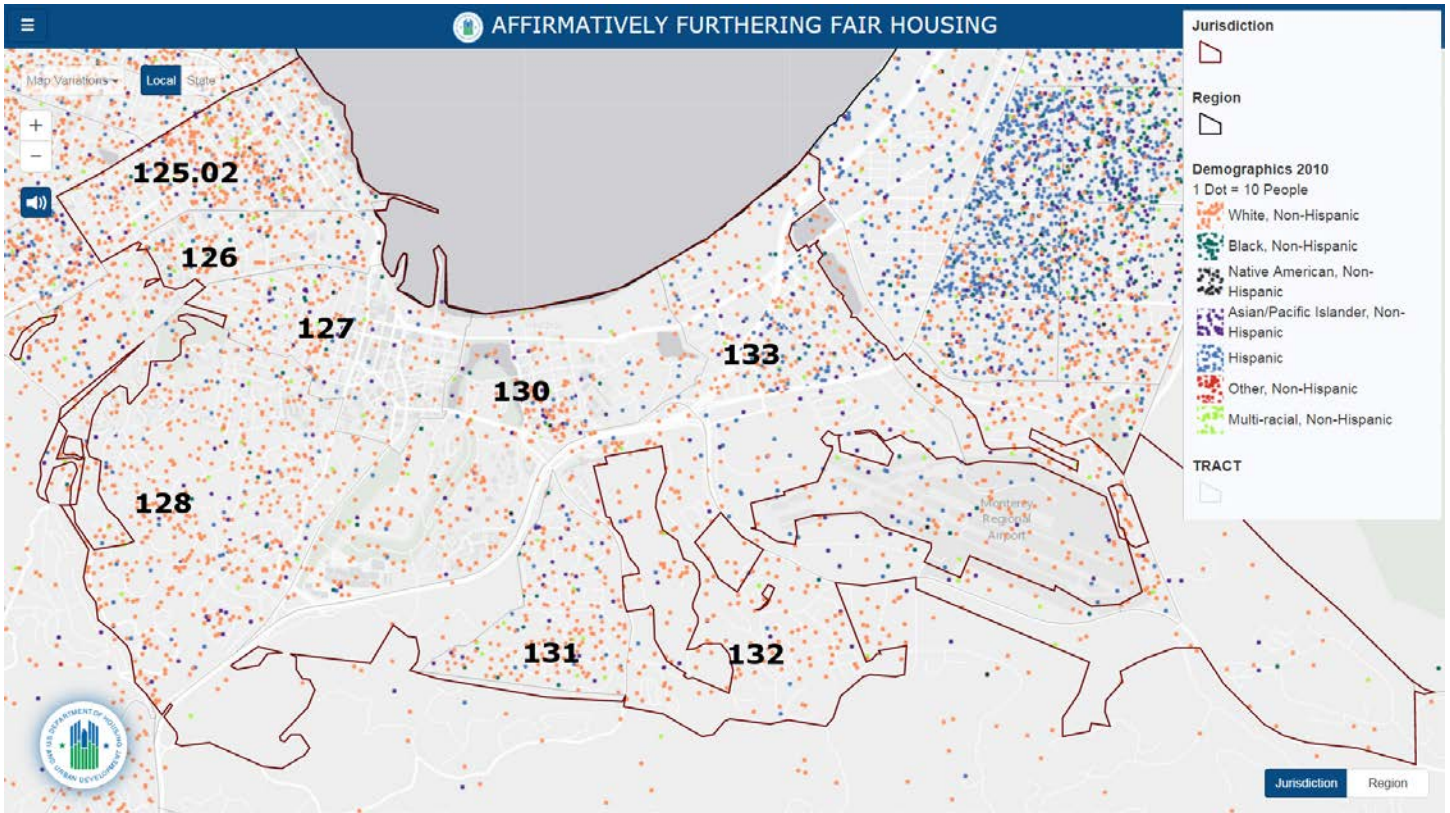
	Monterey County		City of Monterey	
	Number	%	Number	%
White alone	135,021	31.5%	18,950	67%
Black or African American alone	10,981	2.6%	969	3.4%
American Indian and Alaska Native alone	1,232	0.3%	26	0.1%
Asian alone	25,223	5.9%	2,203	7.8%
Native Hawaiian and Other Pacific Islander alone	1,962	0.5%	43	0.2%
Some other race alone	480	0.1%	51	0.2%
Two or more races	9,648	2.3%	1,131	4.0%
Hispanic or Latino (of any race)	243,894	56.9%	4,910	17.4%

Source: 2011–2015 ACS 5-Year Estimates

**Figure 1** shows the distribution of the population that is white, non-Hispanic by census tract in correlation with the other racial and ethnic population distributions in the City. All census tracts in the City range from 70 percent to 79 percent white, non-Hispanic, except for Census Tract 133, which is 49 percent. Regarding the percentage of the population that is Hispanic of any race, Census Tract 133 has the highest proportion at 29 percent. In Census Tracts 126 and 125.02, 13 percent and 16 percent of residents are Hispanic, respectively. All other census tracts in the City range from 6 percent to 11 percent Hispanic. Regarding the percentage of the population that is Asian, Census Tract 141 has the highest percentage with 20 percent, followed by Census Tract 133 with 13 percent; all other census tracts range are 5–8 percent. The percentage of the population that is African American ranges from less than 1 percent to 6 percent, with Census Tract 127 having the highest percentage. This data reveals that there is a much higher percentage of racial and ethnic minorities in Census Tract 133 than the rest of the census tracts. Outside of Census Tract 133, Census Tracts 141 and 127 have significant percentages of Asian and African American residents, respectively.



FIGURE 1 RACE/ETHNIC POPULATION DISTRIBUTION MAP, CITY OF MONTEREY



Source: AFFH Data and Mapping Tool, 2006–2010 ACS to 2009–2013 ACS

**Persons with Disabilities**

According to the US Census 2011–2015 ACS, an estimated 2,701 individuals living in the City of Monterey have a disability, or 11 percent of the total civilian noninstitutionalized population, as of 2015. Almost half of the disabled individuals in the City are 75 years old or older, at an estimated 1,310 persons. Of Monterey residents with a disability, an estimated 1,095 (40.5%) have an independent living difficulty.

**Income and Poverty**

**TABLE 5 HOUSEHOLD INCOME IN THE PAST 12 MONTHS, 2015  
MONTEREY COUNTY AND CITY OF MONTEREY**

	Percent of Total Households	
	Monterey County	City of Monterey
Less than \$25,000	18.3%	17.5%
\$25,000 to \$49,999	24.0%	19.9%
\$50,000 to \$74,999	19.0%	18.2%
\$75,000 to \$99,999	12.9%	15.0%
\$100,000 to \$149,999	14.2%	15.7%
\$150,000 or more	11.4%	13.6%

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Median Income	\$58,783	\$66,166
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*Source: US Census 2011–2015 ACS Estimates*

**Table 5** shows that the County has a higher proportion of households that earn less than \$75,000 annually, while the City of Monterey has a higher proportion of households that earn greater than \$75,000 annually.

**TABLE 6 POVERTY, 2015  
MONTEREY COUNTY AND CITY OF MONTEREY**

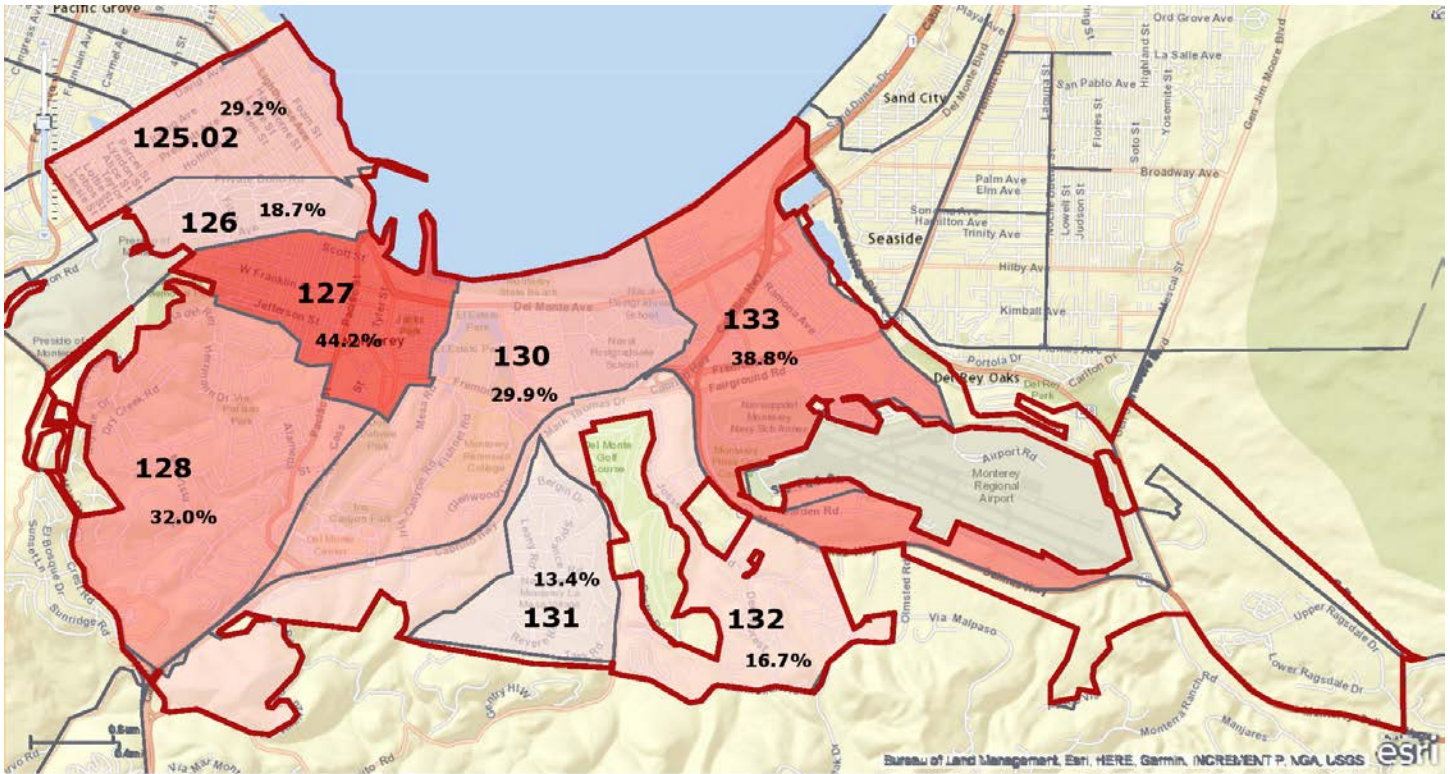
	Monterey County		City of Monterey	
	Number	% of Total Population	Number	% of Total Population
Persons in Poverty	69,475	16.2%	2,383	8.4%
	Number	% of Senior Population	Number	% of Senior Population
Persons in Poverty 65 Years Old and Over	4,750	9.6%	483	9.8%

*Source: US Census 2011–2015 ACS 5-Year Estimates*

As shown above in **Table 6**, there is a significantly higher proportion of persons living below the federal poverty level in Monterey County than in the City of Monterey. However, the proportion of persons in poverty that are 65 years old and over is comparable between the County and City.

Figure 2 shows the percentage of households earning less than 80 percent of the area median income (or low-income households) by census tract. Census Tract 127 has the highest percentage of low-income households with 44.2 percent, followed by Census Tract 133 with 38.8 percent. Census Tracts 128, 130, and 125.02 are in the middle range with 29–32 percent. Census Tracts 126, 131, and 132 are at the low end with just 13–19 percent. There is a significantly wide variance in the concentration of low-income households across the City, from a low of 13.4 percent to a high of 44.2 percent.

FIGURE 2 LOW-INCOME POPULATION DISTRIBUTION MAP, CITY OF MONTEREY



Source: 2008-2012 CHAS

**Employment**

The American Labor Market Information System Employee Database catalogues employers across the nation. Of the top 25 employers in Monterey County in 2017, three of them are in the City of Monterey. They are:

- Breast Care Center (Industry: Diagnostic Imaging Centers)
- Community Hospital-Monterey (Industry: Hospitals)
- Naval Postgraduate School (Industry: Schools-Universities & Colleges Academic)

**Table 7**, below, shows characteristics of the full-time, year-round employed population in Monterey as of 2015. The estimated number of full-time, year-round employed persons was 12,618, which was 81 percent of the total number of employed persons living in the City of Monterey.

The management, business, science, and arts occupations category in Table 7 encompasses a wide variety of occupations, including the areas of education, social services, and healthcare. Median earnings in this category range from \$31,875 for community and social services occupations to \$86,111 for life, physical, and social science occupations. The service occupations category includes healthcare support, fire fighters, law enforcement, food preparation and serving, building and grounds maintenance, and personal care.

**TABLE 7 OCCUPATION BY NUMBER OF PERSONS AND AVERAGE EARNINGS, 2015  
CITY OF MONTEREY**

Occupation	Number of Persons	Average Earnings
Management, business, science and arts occupations	6,198	\$62,724
Service occupations	3,117	\$23,233
Sales and office occupations	2,207	\$28,911
Natural resources, construction, and maintenance occupations	600	\$32,368
Production, transportation, and material moving occupations	496	\$39,091
<b>Total full-time, year-round civilian employed population (16+ years old)</b>	<b>12,618</b>	<b>\$42,017</b>

Source: US Census 2011–2015 ACS

### Housing Characteristics

In order to afford the 2015 Monterey median contract rent of \$1,402, a household must earn at least \$59,280 (assuming an average monthly utility cost of \$80 and paying 30 percent of income toward rent and utilities). This income is about \$26,000 more than the average earnings in the service occupations. Only the average earnings of the management, business, science and arts occupations are high enough to afford this median rent, as shown in Table 7. Housing affordability is even more challenging for part-time and unemployed persons. For these reasons, an estimated 3,913 Monterey households, just over half of all renter households, paid more than 30 percent of their gross monthly income toward housing in 2015 (US Census 2011–2015 ACS).

Section NA-10 of the 2015–2019 City of Monterey Consolidated Plan illustrates that housing affordability is the most common housing problem in Monterey. This is particularly the case for low-income and extremely low-income households, as well as for senior, disabled, and homeless households.

In terms of race and ethnicity, Asian and African American households earning less than the median income have a disproportionate share of the City's housing problems and severe housing problems, as shown in **Table 8**, below. These racial categories show greater proportions with housing problems and severe housing problems than the proportion of the general population. A housing problem, as defined by HUD, is a unit that: 1) lacks complete kitchen facilities; 2) lacks complete plumbing facilities; 3) has more than 1 person per room; or 4) has a housing cost burden over 30 percent of income. A severe housing problem, as defined by HUD, is a unit that: 1) lacks complete kitchen facilities; 2) lacks complete plumbing facilities; 3) has more than 1.5 persons per room; or 4) has a housing cost burden over 50 percent of income.

**TABLE 8 HOUSEHOLDS EXPERIENCING HOUSING PROBLEMS, 2012  
HOUSEHOLDS EARNING LESS THAN MEDIAN INCOME, CITY OF MONTEREY**

Race/Ethnicity	Percentage of Households w/ Housing Problems	Percentage of Households w/ Severe Housing Problems	Share of General Population
White	36.7%	13.6%	67%
African American	68.3%	30.7%	3%
Asian	42.0%	28.3%	8%
Hispanic or Latino	52.6%	20.5%	17%

Sources: HUD 2008–2012 CHAS; US Census 2011–2015 ACS

The most pervasive housing problem of the four types listed above the table is housing cost burden. The proportion of households with one of the other three types of housing problems is small by comparison. A severe housing cost burden is when a household pays more than 50 percent of its income toward housing costs. The table below shows severe housing cost burden by race and ethnicity, and by household type and size. This data shows that a significantly higher proportion of non-white and Hispanic households have severe cost burdens compared to white, non-Hispanic households.

**TABLE 9 DEMOGRAPHICS OF HOUSEHOLDS WITH SEVERE HOUSING COST BURDEN, 2012  
CITY OF MONTEREY**

Race/Ethnicity	% with severe cost burden
White, Non-Hispanic	17.6%
Black	30.6%
Hispanic	19.1%
Asian	28.6%
Native American	44.1%
Two or More Races	45.3%
<i>Total</i>	19.7%
Household Type and Size	
Family households, <5 people	15.4%
Family households, 5+ people	20.0%
Non-family households	23.6%

*Sources: HUD 2008–2012 CHAS*

The City of Monterey’s housing stock is characterized by a high proportion of older homes. The table below shows that 75 percent of all units were built before 1980. As lead-based paint was widely used prior to 1979, children living in these structures are at higher risk to lead exposure. Lower-income households are more likely to live in structures where lead-based paint has not been mitigated. According to the City’s 2015-2019 Consolidated Plan, there is also a potential need to assist up to 1,270 low- and moderate-income ownership households that have housing cost burdens of greater than 30 percent. Homeowners who have difficulty affording maintenance and repairs are more likely to live in deteriorated structures. The City also has a high proportion of homes built prior to 1950. Many of these homes are also in need of rehabilitation. **Table 10**, below, shows the distribution of housing units by age

**TABLE 10 YEAR HOUSING UNITS BUILT, 2015  
CITY OF MONTEREY**

	Housing Units Built
1980 or later	3,408
1960–1979	5,071
1950–1959	2,197
Before 1950	2,974
<b>Total Housing Units</b>	<b>13,650</b>

*Source: US Census 2011–2015 ACS*

### PRIVATE SECTOR PRACTICES THAT IMPACT FAIR HOUSING

Under the broad term “private sector” are specific aspects of a jurisdiction’s housing market that should be examined to determine whether fair housing objectives are being served. The following housing market issues and activities are included under this heading and will be explored in this section:

- 1) Banking and insurance policies and practices pertaining to the financing, sale, purchase, rehabilitation, and rental of housing that may affect the achievement of fair housing choice; and
- 2) The sale and rental of housing and real estate practices such as blockbusting, deed restrictions, trust or lease provisions, conversion of apartments to all-adult occupancy, inaccessible design, or management firm “occupancy quotas.”

### LENDING POLICIES AND PRACTICES

One key aspect of fair housing choice is equal access to financing for the purchase or improvement of a home. Financial institutions have a history of employing unfair lending practices, and many of these activities are now illegal.

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 and is implemented by the Consumer Financial Protection Bureau under Regulation C (12 Code of Federal Regulations Section 1003). This regulation provides public loan data that can be used to assist:

- In determining whether financial institutions are serving the housing needs of their communities.
- Public officials in distributing public-sector investments to attract private investment to areas where they are needed.
- In identifying possible discriminatory lending patterns.

Under the HMDA, lenders are required to disclose information on the disposition of home loan applications and on race, national origin, gender, and annual income of loan applicants.

The HMDA data set used in this AI reports 2015 lending records for Monterey. To prepare this analysis, census tracts that were fully or partially contained in Monterey were selected for the data set. In addition, lending actions within the data set were narrowed to show only actions for the purchase of a primary residence to be owner-occupied. All lending actions for home improvement requests, refinancing requests, non-owner-occupied purchases, and loans purchased by investment institutions were removed and are not part of this analysis. This data set includes loans that have been originated, denied, or failed. Once an applicant has submitted an application which has been reviewed and accepted by the financial institution, then one of three actions will result: the loan is originated (loan is approved and issued); the loan fails (the loan is not accepted by the applicant); or the loan is denied by the lending institution.

The table below shows demographic data for the City of Monterey that can be compared to the 2015 HMDA data tables that follow.

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**TABLE 11 RACE AND ETHNICITY, 2015  
MONTEREY COUNTY AND CITY OF MONTEREY**

	Monterey County		City of Monterey	
White alone	135,021	31.5%	18,950	67.0%
Black or African American alone	10,981	2.6%	969	3.4%
American Indian and Alaska Native alone	1,232	0.3%	26	0.1%
Asian alone	25,223	5.9%	2,203	7.8%
Native Hawaiian and Other Pacific Islander alone	1,962	0.5%	43	0.2%
Some other race alone	480	0.1%	51	0.2%
Two or more races	9,648	2.3%	1,131	4.0%
Hispanic or Latino (of any race)	243,894	56.9%	4,910	17.4%

Source: 2011–2015 ACS 5-Year Estimates

The tables below show HMDA data for total loan requests made in 2015 by type and outcome for the City of Monterey, and applications by race and ethnicity by loan type.

**TABLE 12 LOAN REQUEST TYPE BY LENDING OUTCOME FOR CITY OF MONTEREY**

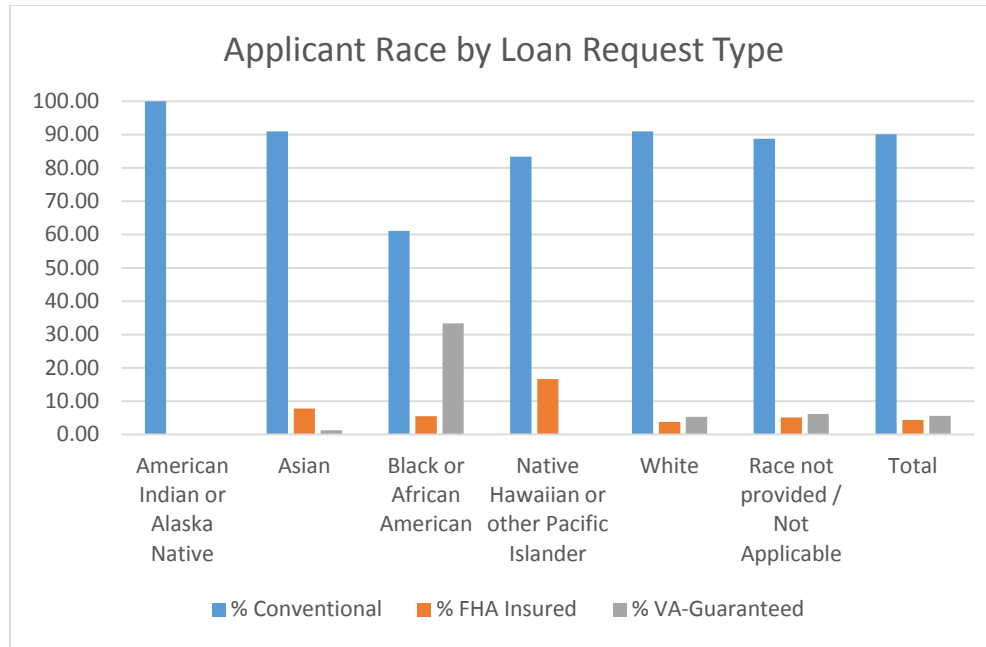
Loan Type	Total		Originated		Failed		Denied	
	#	%	#	%	#	%	#	%
Convention	1052	90%	627	60%	243	23%	182	17%
FHA Insured	51	4%	20	39%	16	31%	15	29%
VA-Guaranteed	65	6%	38	58%	17	26%	10	15%
<b>Total</b>	<b>1168</b>	<b>100%</b>	<b>685</b>	<b>59%</b>	<b>276</b>	<b>24%</b>	<b>207</b>	<b>18%</b>

**TABLE 13 APPLICANT RACE BY LOAN REQUEST TYPE IN CITY OF MONTEREY**

Applicant Race	Total		# Conventional		# FHA-Insured		# VA-Guaranteed	
	#	%	#	%	#	%	#	%
American Indian or Alaska Native	2	0%	2	100%	0	0%	0	0%
Asian	77	7%	70	91%	6	8%	1	1%
Black or African American	18	2%	11	61%	1	6%	6	33%
Native Hawaiian or other Pacific Islander	6	1%	5	83%	1	17%	0	0%
White	870	74%	791	91%	33	4%	46	5%
Race not provided / Not Applicable	195	17%	173	89%	10	5%	12	6%
<b>Total</b>	<b>1168</b>	<b>100%</b>	<b>1052</b>	<b>90%</b>	<b>51</b>	<b>4%</b>	<b>65</b>	<b>6%</b>

Source: HMDA 2015 LAR Data

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Source: HMDA 2015 LAR Data

**TABLE 14 APPLICANT ETHNICITY BY LOAN TYPE REQUEST IN THE CITY OF MONTEREY**

Applicant Ethnicity	Total		Conventional		FHA-Insured		VA-Guaranteed	
	#	%	#	%	#	%	#	%
Hispanic/Latino	64	5%	60	94%	2	3%	2	3%
Not Hispanic/Latino	916	78%	826	90%	41	4%	49	5%
Ethnicity not provided/Not applicable	188	16%	166	88%	8	4%	14	7%
<b>Total</b>	<b>1168</b>	<b>100%</b>	<b>1052</b>	<b>90%</b>	<b>51</b>	<b>4%</b>	<b>65</b>	<b>6%</b>

Source: HMDA 2015 LAR Data

The tables below show City of Monterey HMDA data for race and ethnicity by lending outcome. These tables show that a greater proportion of applications were denied for non-white households than for white households, and that a greater proportion of applications were denied for Hispanic households than for non-Hispanic households.

**TABLE 15 LENDING OUTCOME BY RACE IN THE CITY OF MONTEREY (MORE CATEGORIES)**

Applicant Race	Total		Originated		Failed		Denied	
	#	%	#	%	#	%	#	%
American Indian or Alaska Native	2	0%	1	50%	1	50%	0	0%
Asian	77	7%	46	60%	13	17%	18	23%
Black or African American	18	2%	10	56%	3	17%	5	28%
Native Hawaiian or other Pacific Islander	6	1%	1	17%	2	33%	3	50%
White	870	74%	523	60%	200	23%	147	17%
Race not provided / Not Applicable	195	17%	104	53%	57	29%	34	17%
<b>Total</b>	<b>1168</b>	<b>100%</b>	<b>685</b>	<b>59%</b>	<b>276</b>	<b>24%</b>	<b>207</b>	<b>18%</b>



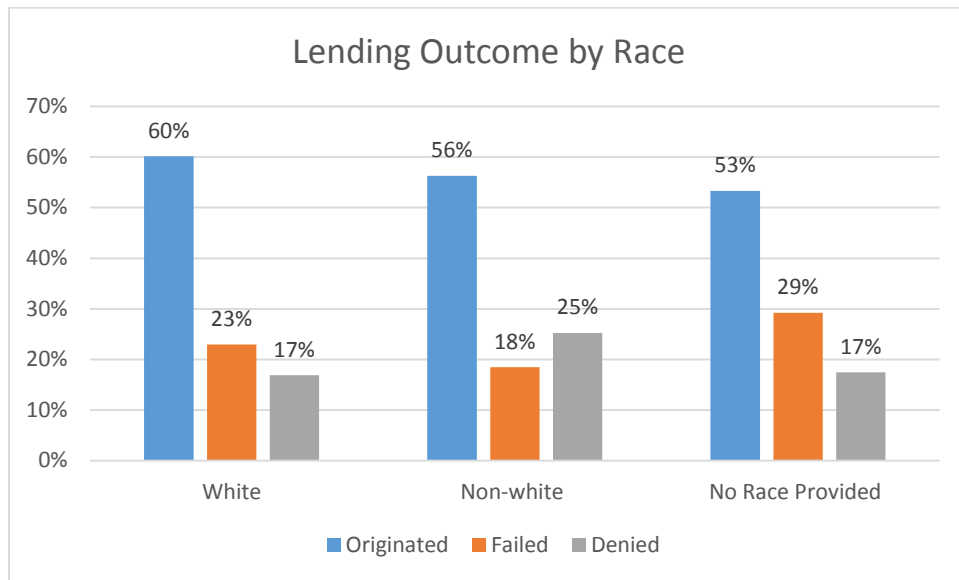
## ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

Source: HMDA 2015 LAR Data

**TABLE 16 LENDING OUTCOME BY RACE IN THE CITY OF MONTEREY (FEWER CATEGORIES)**

	Total Applications		Originated		Failed		Denied	
	#	%	#	%	#	%	#	%
White	870	74%	523	60%	200	23%	147	17%
Non-white	103	9%	58	56%	19	18%	26	25%
No Race Provided	195	17%	104	53%	57	29%	34	17%
<b>Total Applications</b>	<b>1168</b>	<b>100%</b>	<b>685</b>	<b>59%</b>	<b>276</b>	<b>24%</b>	<b>207</b>	<b>18%</b>

Source: HMDA 2015 LAR Data

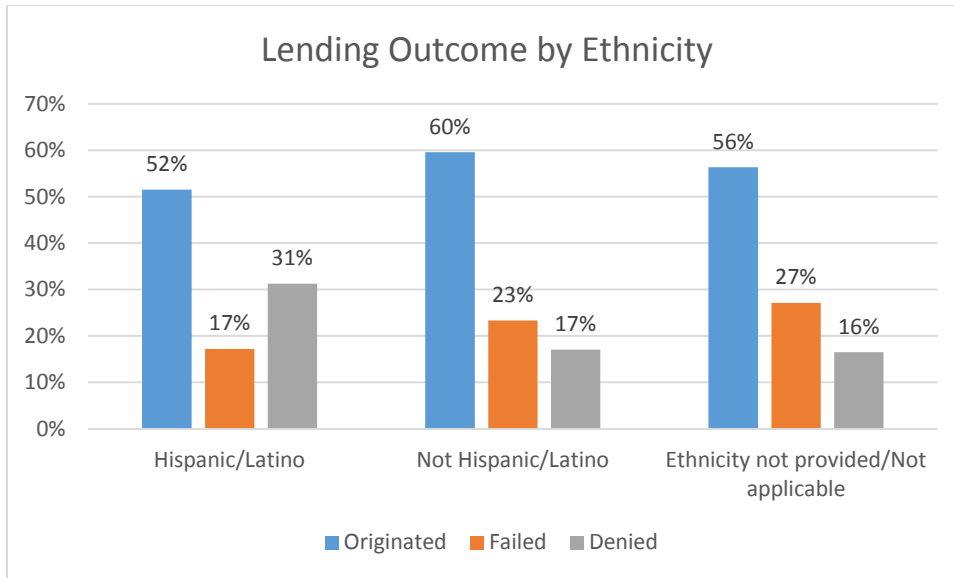


Source: HMDA 2015 LAR Data

**TABLE 17 LENDING OUTCOME BY ETHNICITY**

Applicant Ethnicity	Total		Originated		Failed		Denied	
	#	%	#	%	#	%	#	%
Hispanic/Latino	64	5%	33	52%	11	17%	20	31%
Not Hispanic/Latino	916	78%	546	60%	214	23%	156	17%
Ethnicity not provided/Not applicable	188	16%	106	56%	51	27%	31	16%
<b>Total</b>	<b>1168</b>	<b>100%</b>	<b>685</b>	<b>59%</b>	<b>276</b>	<b>24%</b>	<b>207</b>	<b>18%</b>

Source: HMDA 2015 LAR Data



Source: HMDA 2015 LAR Data

Table 18 shows that Census Tract 130 has a much higher proportion of loan denials than other census tracts in the City of Monterey. Census Tract 130 is one of the more racial and ethnically diverse census tracts with two distinct housing markets. The southwestern portion of the census tract is lower-density residential while the northern block groups have more densified housing.

TABLE 18 LENDING ACTIONS AND CHARACTERISTICS FOR MONTEREY CENSUS TRACTS

Census Tract Number	Originations %	Failures %	Denials %
125.02	56%	29%	16%
127	60%	22%	18%
128	60%	24%	16%
130	57%	17%	26%
132	57%	22%	21%
133	61%	25%	14%

Source: HMDA 2015 LAR Data

This Lending Policies and Practices section identified some disproportionate racial and ethnic differences in the number of mortgage originations and mortgage denials in the City of Monterey. Mortgage data shows that racial and ethnic minorities face fair housing impediments in the private lending market.

As shown above in Tables 15 and 16 (Lending Outcome by Race), non-whites have a lower rate of loan origination and a higher rate of denial than whites; however, non-whites had a lower rate of loan failure than whites. Comparably, in Table 17 (Lending Outcome by Ethnicity), Hispanic/Latinos had a lower rate of loan origination and a higher rate of denial than whites as identified in Tables 15 and 16.

## **REAL ESTATE POLICIES AND PRACTICES**

### **Realtor Policies and Practices**

The California Department of Real Estate has made fair housing education mandatory for all real estate licensees. In response to this mandate, the various associations of real estate agents in Monterey County do conduct fair housing workshops, although there is no set workshop schedule. Course highlights include:

- Who is protected by the fair housing laws
- What acts are prohibited
- Preventing violations of the fair housing laws

In order for participants to receive Department of Real Estate mandated credits for this workshop, they must take and pass a written exam based upon the information presented.

### **Restrictive Covenants**

State law prohibits the creation or enforcement of any covenants, conditions, and restrictions (CC&Rs) that are discriminatory in nature. As far as City staff knows, there are no discriminatory CC&Rs active in Monterey, outside of those few specifically allowed by law, such as for retirement communities where the sole discriminatory factor allowed is age. However, there are several older neighborhoods and housing complexes with CC&Rs that have not been reviewed for many years. It is possible that some of these CC&Rs could include discriminating restrictions or regulations.

### **Leasing Practices**

The City does not review the rental policies of property management companies in the jurisdiction for fair housing compliance, nor does the City conduct undercover testing for fair housing compliance by property management companies in their leasing process. These are some of the HUD recommended activities jurisdictions can take to provide a baseline of fair housing compliance. Other activities include regular fair housing workshops and trainings for rental property owners and managers, distribution of printed educational material targeting rental property owners and managers, and education and outreach via property management professional groups to encourage proactive fair housing education efforts. The City does contract with Legal Services for Seniors to provide fair housing information to older residents, and is discussing options with Legal Services to address fair housing intake needs and to provide an initial response in the case of City referred landlord/tenant complaints. The City could possibly expand the scope of work in one or more of these contracts to include fair housing compliance oversight of leasing practices in the private sector.

### PUBLIC SECTOR POLICIES AND PRACTICES THAT IMPACT FAIR HOUSING

This section focuses on possible actions or omissions in the public sector (including public housing, community development, transportation, and community services) that may affect housing choice. A determination should be made to see if any action or omission is influenced by public policies, practices, and procedures, such as those regarding site selection for the construction of public and private housing, building, occupancy, and health and safety codes.

#### 1. ZONING AND SITE SELECTION

In order to adhere to fair housing law, planning and building policies and codes should avoid restricting housing choices in the following ways:

- High geographic concentrations of low-income housing.
- Limited availability of housing affordable to low-income and moderate-income households.
- Exclusions or limitations on special needs housing, including shelter and housing for homeless persons, persons with disabilities, seniors, and racial and ethnic minorities.

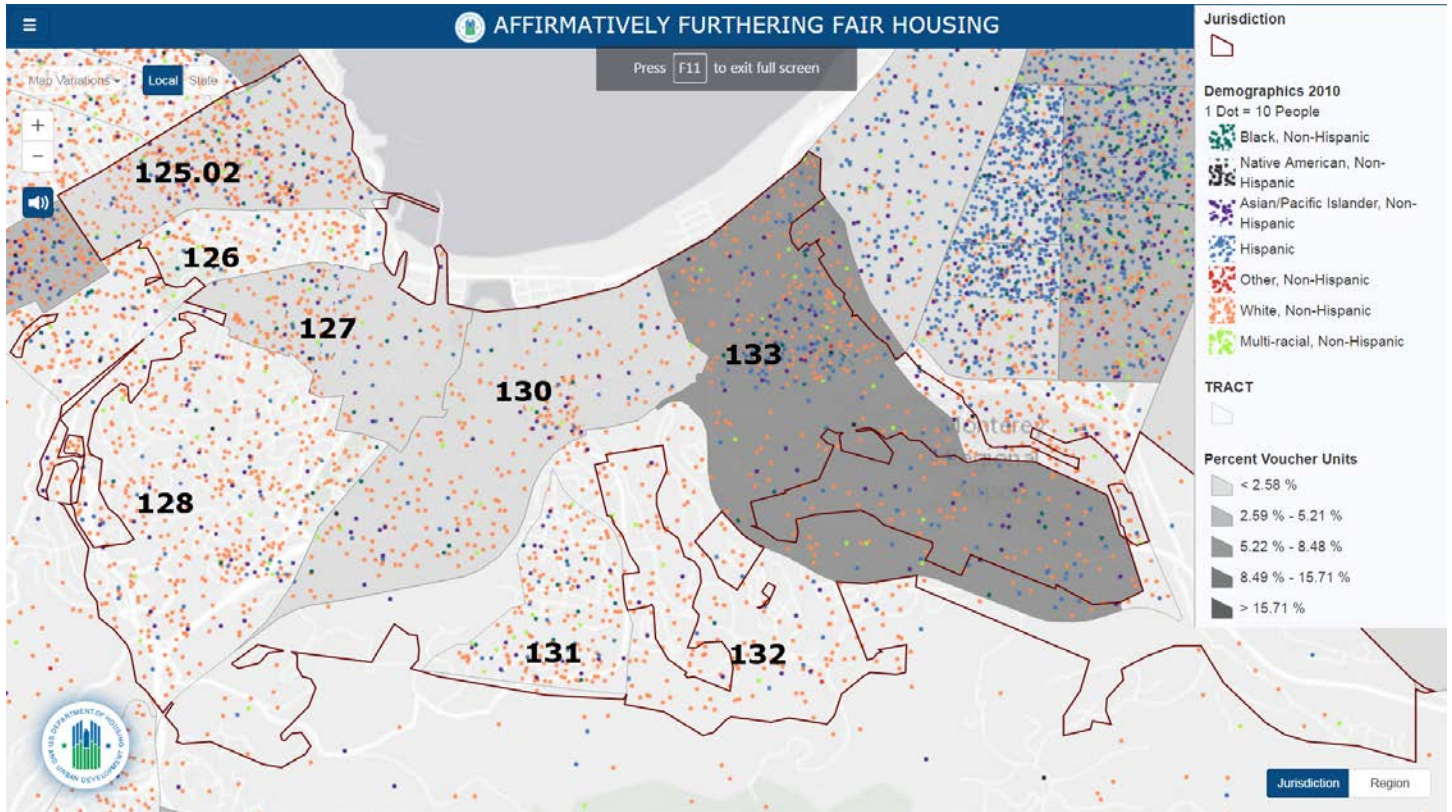
This section analyzes how government policy and regulations may affect these restrictions on housing choice. The City of Monterey 2015–2023 Housing Element and 2015–2019 Consolidated Plan provide extensive detail on this topic.

#### High geographic concentrations of low-income housing

The City of Monterey belongs to the Association of Monterey Bay Area Governments (AMBAG), which guides regional planning. AMBAG produces, in accordance with state law, a Regional Housing Allocation Plan. This plan directs each jurisdiction in the County to produce its fair share of housing affordable to all income levels. The Housing Element Table 1 on page 30 shows how the City plans to produce its fair share of housing through new construction, rehabilitation, and preservation. As of the adoption of the Housing Element in March 2016, the City had issued building permits for 54 units and entitled 59 additional units toward meeting its housing allocation goals for 2014–2023.

**Figure 3** shows the percentage of housing units that are subsidized rental (voucher) units by census tract. The map shows that Census Tracts 133 (8%) and 127 (7%) have the highest percentage of units that are subsidized rental units. All other census tracts have 0–3 percent of housing units that are subsidized rental units.

FIGURE 3 SUBSIDIZED HOUSING DISTRIBUTION IN THE CITY OF MONTEREY



Source: AFFH Data and Mapping Tool, 2006–2010 ACS to 2009–2013 ACS

**Limited availability of housing affordable to low-income and moderate-income households**

As shown in the current inventory of affordable housing, Table 24 on page 56, the City has 392 affordable, subsidized rental units and 115 affordable owner-occupied units. The General Plan and Municipal Code encourage affordable housing development in a number of ways, as described in the 2015–2023 Housing Element, Section III: Housing Constraints, and summarized below.

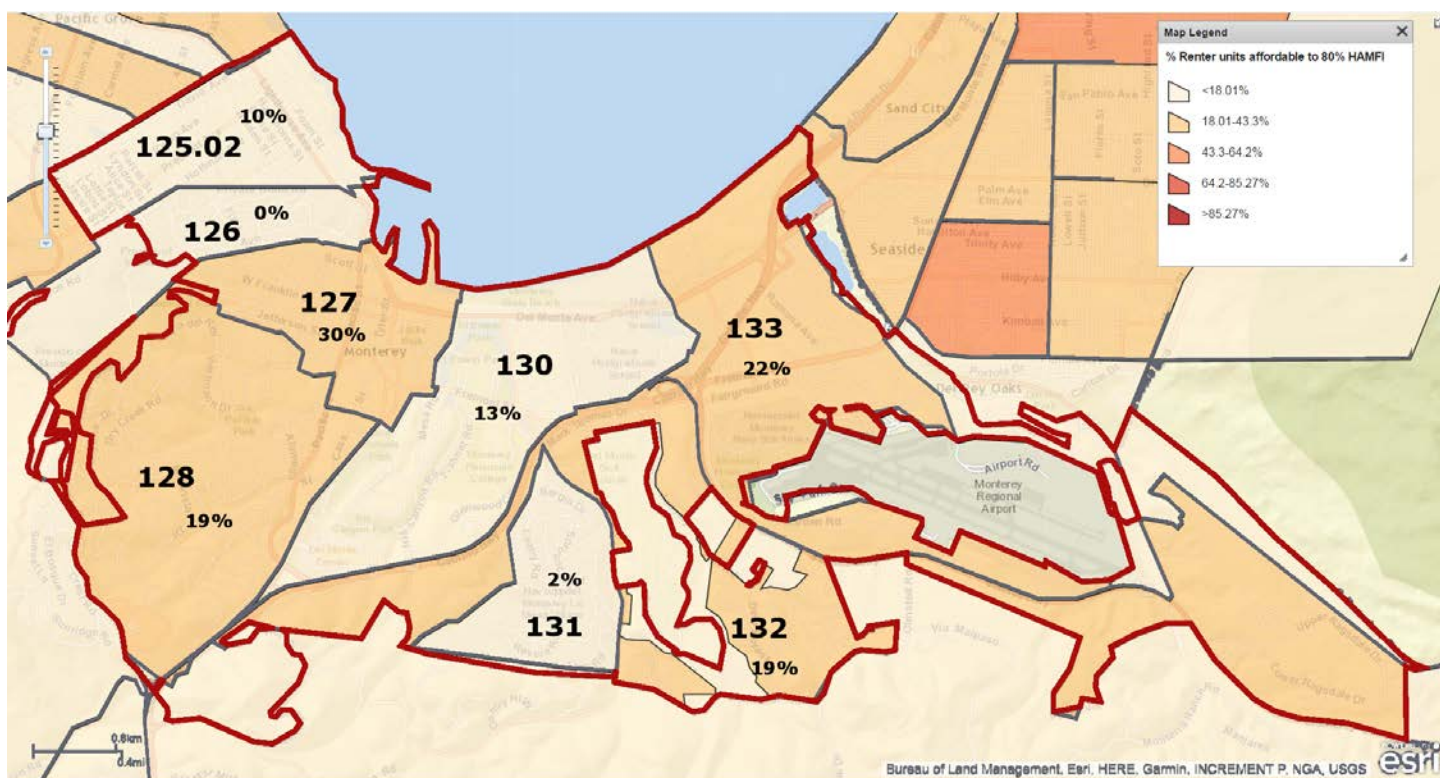
- The City’s Zoning Ordinance allows residential development in all of the City’s residential and commercial zones.
- The Multi-family residential, Commercial and Mixed-Use zoning district allows a density of 30 or more units per acre as part of a mixed-use project.
- Specific plans incentivize higher-density residential development with lower on-site parking requirements of 0.5 space per unit, unbundled parking in separate parking garages, and options for shared parking with other properties.
- The Zoning Code allows a variety of housing types in various districts, including manufactured units, residential care, farmworker housing, transitional and supportive housing, emergency shelters, and single-occupancy units.
- The Zoning Ordinance includes a density bonus provision for affordable housing consistent with state law.

## ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

- The City's Inclusionary Ordinance requires developers to set aside at least 20 percent of all ownership housing units to be affordable to low- and moderate-income households.
- The City's Condominium Conversion Ordinance has provided homeownership opportunities for 95 low- and moderate-income households. The ordinance has not specifically resulted in a loss of deed-restricted rental units, but it has taken rental units that were more affordable off the market.

Figure 4 shows the percentage of renter units that are affordable to households at 80 percent of area median income by census tract, which ranges broadly, from 30 percent in Census Tract 127 to 0 percent in Census Tract 126. Affordable rental housing is almost nonexistent in Census Tracts 126 and 131, and in the 10–22 percent range in Census Tracts 125.02 (10%), 130 (13%), 128 (19%), 132 (19%) and 133 (22%). Please note that Census Tract 126 is the Presidio of Monterey and housing units are not available to the general public.

**FIGURE 4 AFFORDABLE RENTAL HOUSING DISTRIBUTION IN THE CITY OF MONTEREY**



Source: 2008-2012 CHAS

### **Exclusions or limitations on special needs housing, including shelter and housing for homeless persons, persons with disabilities, seniors, and racial and ethnic minorities**

As summarized above, the City's Zoning Code does not unfairly exclude emergency shelters, housing for homeless persons, or special needs housing. In the City of Monterey 2015–2023 Housing Element, Program f.1.7 states that the City will amend the Zoning Ordinance to allow emergency shelters as a permitted use in the City's C-3 zoning district, which is close to transit and services. The City has approximately 19 acres of land within these zones that is vacant and underutilized and suitable for the development of emergency shelters. To encourage the

development of transitional and supportive housing, the City allows both housing types as a permitted use in residential districts, and only subject to the same limitations as other similar residential uses.

The City's Zoning Code does not limit the development of housing that is accessible to persons with disabilities. There are no development standards that regulate the concentration or spacing of residential care homes. In addition, the City's Zoning Ordinance includes a reasonable accommodation procedure which provides individuals with disabilities reasonable accommodation in rules, policies, practices, and procedures that may be necessary to ensure equal access to housing. This allows individuals with disabilities to receive variances in land use, zoning, or building laws. As part of this program, the City's HCD Coordinator works with disabled persons who are proposing improvements to accommodate their needs.

## 2. COMMUNITY REVITALIZATION

One aspect of fair housing choice is neighborhood revitalization and the provision of good services to areas in which low- and moderate-income families live. Racial and ethnic minorities, who are most concentrated in such neighborhoods, will benefit from better neighborhood environments that are so critical to good housing.

Frequently, the quality or extent of public services and facilities varies dramatically among residential neighborhoods. Public services and facilities include schools, recreational facilities and programs, social service programs, parks, roads, transportation, street lighting, trash collection, street cleaning, crime prevention, and police protection activities. Lower-income, densely populated residential areas too often lack the level and array of services that are provided in less impacted, more affluent neighborhoods. Jurisdictions should strive to equalize services as part of fair housing planning.

This section analyzes the following with respect to fair housing in the City of Monterey:

- The extent to which municipal and other services (transportation, social services, schools, hospitals and health services, banks and other lending institutions) are equally distributed throughout the City.
- Efforts to link transportation, job creation, and housing opportunities for low-income households.
- Efforts to revitalize or enhance lower-income neighborhoods.
- Financial resources to fund affordable housing, community facilities and services, and small and disadvantaged business opportunities in neighborhoods in need of revitalization.

### **The extent to which municipal and other services (transportation, social services, schools, hospitals and health services, banks and other lending institutions) are equally distributed throughout the City**

Transportation: Most of the City is relatively compact with walkable blocks and streets that are accessible to a comprehensive transit system, Monterey-Salinas Transit (MST). The centrally located Transit Plaza connects riders to all parts of the City, as well as to the nearby towns in the Monterey Bay Area, Salinas, north on Highway 101 to San Jose, and south on Highway 1 to Big Sur. MST includes a paratransit service called RIDES, which is available throughout the City.

**Social Services:** A wide variety of social services are available on the Monterey Peninsula. However, the County Department of Social Services does not have service offices in the City of Monterey. The nearest Social Services office is in Seaside, approximately 5 miles away.

**Schools:** Elementary, junior, and senior high schools are evenly distributed throughout the community, serving those neighborhoods with a large enough child population to justify their need. Due to Monterey's relatively small physical size, ease of access is not a significant issue at this time.

**Hospitals and Health Services:** There is presently one hospital to serve the community's needs, the Community Hospital of the Monterey Peninsula. This facility is located in the southeast part of the City, near the intersection of Highways 1 and 68. There are also a number of walk-in medical care facilities situated in various locations throughout the City.

**Banks:** Banks and other financial services are available throughout the community. Downtown has a concentration of banks, with other branches just west of the Presidio, at the Del Monte Shopping Center. The Monterey Federal Credit Union, Central Coast Federal Credit Union, and Navy Federal Credit Union also serve Monterey residents.

### **Efforts to link transportation, job creation, and housing opportunities for-low income households**

- The City's specific plans call for mixed-use development near transit.
- The City received a grant to improve North Fremont Street to increase walkability, transit, and bicycle access. The grant was awarded partially based on the fact that North Fremont serves adjacent low-income neighborhoods.
- The City's Multi-Modal Mobility Plan specifically links neighborhoods to destinations such as services, schools, and parks and recreation areas.

### **Efforts to revitalize or enhance lower-income neighborhoods**

- In the 2010 Consolidated Plan, the City identified the CONA neighborhood as a neighborhood in need of revitalization and used CDBG funds to remove blight, rehabilitate homes, and improve streets, sidewalks, and parks. The CONA neighborhood, based on the latest census data, no longer contains a Low and Moderate Income census tract block group and it is no longer identified as a revitalization neighborhood strategy area.
- In the 2015–2019 Consolidated Plan, the City identified three other neighborhoods as low income and proposes spending CDBG funds to revitalize those neighborhoods by improving parks, streets, sidewalks, and ADA ramps.

### **Financial resources to fund affordable housing, community facilities and services, and small and disadvantaged business opportunities in neighborhoods in need of revitalization**

Financial resources available include:

**Community Development Block Grant:** The City of Monterey receives an annual allocation of federal CDBG funds, which was \$215,548 in 2016. For purposes of budget planning, the City is estimating annual entitlement at \$200,000. The City also receives CDBG program income from loan interest and loan and grant repayments. The City budgeted the use of \$641,900 in CDBG program income in 2015.



Former RDA Housing Funds: The City budgeted approximately \$500,000 in 2016 from this funding source.

The HOME Program: Projects in the City of Monterey are eligible to apply for funding from the state HOME program, which administers a statewide competition each year for housing funding.

Low Income Housing Tax Credits: Equity is provided to most affordable housing projects in Monterey by investors who then obtain tax credits through the Low Income Housing Tax Credit program administered at the state level by the California Tax Credit Allocation Committee.

HUD has developed a series of indices to help inform communities about segregation in their jurisdiction and region, as well as disparities in access to opportunity.

### Key to Opportunity Indicators:

- The low poverty index captures the depth and intensity of poverty in a given neighborhood. The higher the score, the less exposure to poverty in a neighborhood.
- The school proficiency index uses school-level data on the performance of fourth-grade students on state exams to describe which neighborhoods are near high-performing elementary schools and which are near lower-performing elementary schools. The higher the score, the higher the school system quality is in or near that neighborhood.
- The labor market engagement index summarizes the relative intensity of labor market engagement and human capital in a neighborhood. The higher the score, the higher the labor force participation and human capital in a neighborhood.
- The transit index is based on estimates of transit trips taken by a family that meets the following description: a three-person, single-parent family with income at 50 percent of the median income for renters for the region (i.e., the Core-Based Statistical Area (CBSA)). The higher the transit index, the more likely that residents in that neighborhood utilize public transit.
- The low transportation cost index is based on estimates of transportation costs for a family that meets the following description: a three-person, single-parent family with income at 50 percent of the median income for renters for the region (i.e., CBSA). The higher the index, the lower the cost of transportation in that neighborhood. Transportation costs may be low for a range of reasons, including greater access to public transportation and the density of homes, services, and jobs in the neighborhood and surrounding community.
- The jobs proximity index quantifies the accessibility of a given residential neighborhood as a function of its distance to all job locations within a CBSA, with larger employment centers weighted more heavily. The higher the index value, the better the access to employment opportunities for residents in a neighborhood.
- The environmental health index summarizes potential exposure to harmful toxins at a neighborhood level. The higher the index value, the less exposure to toxins that are harmful to human health.

In **Table 19**, the higher the index number in each category, the better. To compare the population groups, the indices were added together to get a cumulative total, which was used to evaluate the populations. Native American in Population below federal poverty line is the

## ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

group with the lowest overall cumulative total. The Hispanic populations, both in total and below the poverty line, also had low cumulative totals. It is interesting to note that the Black, Asian or Pacific Islander, and White populations below the poverty line had the three highest ranked cumulative totals. It is important to recognize that this opportunity index only reflects access to facilities and the frequency of poverty in the population, and does not reflect a specific groups potential for escaping poverty. While in some jurisdictions there are very distinct difference between access to community facilities and assets between whites and other minority groups, minority groups in the City of Monterey scored fairly high in many of the opportunity indicators. Groups below the poverty line may have high indices in part due to the fact that Monterey is a smaller city, with a compact core and high walk-ability. The Peninsula also has a fairly high performing school district, and while there are several Title 1 schools in the City (schools with high free and reduced lunch participation rates), none of them are Tier 1, which indicates a troubled or poor performing school.

**TABLE 19 OPPORTUNITY INDICATORS BY RACE AND ETHNICITY**

(Monterey, CA CDBG) Jurisdiction	Low Poverty Index	School Proficiency Index	Labor Market Index	Transit Index	Low Transportation Cost Index	Jobs Proximity Index	Environmental Health Index	Cumulative Total	Total by Rank
<b>Total Population</b>									
White	74.90	41.33	70.34	49.42	67.53	52.97	58.30	414.79	5
Black	69.65	42.83	64.47	46.74	67.84	50.46	54.05	396.04	2
Hispanic	65.40	40.78	66.57	52.08	70.07	47.91	44.92	387.73	1
Asian or Pacific Islander	71.15	41.72	71.14	52.83	69.47	51.15	54.60	412.06	4
Native American	72.18	43.26	67.73	47.20	68.17	51.40	54.69	404.63	3
<b>Population below federal poverty line</b>									
White	70.43	41.77	73.27	55.33	73.01	54.80	55.75	424.36	3
Black	72.93	46.08	80.73	62.41	80.59	36.54	66.73	446.01	5
Hispanic	63.64	38.07	66.97	55.62	72.16	54.25	40.20	390.91	2
Asian or Pacific Islander	73.11	44.00	74.90	57.12	73.47	49.01	57.87	429.48	4
Native American	48.00	31.62	57.00	53.00	70.00	62.09	19.00	340.71	1

*Sources: HUD Exchange; Decennial Census; ACS; Great Schools; Common Core of Data; SABINS; LAI; LEHD; NATA*

### 3. PUBLIC HOUSING

Areas of analysis for this section include:

Public housing agency and other housing assistance provider policies and procedures for:

- Selecting individuals and families to receive the benefits of federal, state, or local publicly assisted housing programs that provide rental or ownership opportunities for lower-income persons and families.
- Advertising rental vacancies to the public and establishing and maintaining waiting lists.

- Assisting certificate and voucher holders to find suitable rental units throughout the jurisdiction.
- Coordination and cooperation among jurisdictions in surrounding metropolitan or regional areas in planning and carrying out housing and related activities.

### **Selecting individuals and families to receive the benefits of federal, state, or local publicly assisted housing programs that provide rental or ownership opportunities for lower-income persons and families**

The Housing Authority of the County of Monterey (HACM) has made available its Admissions and Occupancy Plan (last updated in 2009) and Section 8 Administrative Plan (last updated in 2016) on its website at <http://www.hamonterey.org/documents-studies-forms/documents/>. These plans comply with federal and state fair housing law, and post and enforce a policy of nondiscrimination. There are no statements or rules in the HACM policies that are or could be construed as discriminatory toward any protected classes. The plans contain detailed policies and procedures regarding non-discrimination, reasonable accommodation for persons with disabilities, and accessibility for persons with limited English proficiency.

Public housing authorities are allowed to establish local preferences for selecting applicants. For its public housing, HACM selects 50 percent of its applicants from the waiting list based on date and time of application, and 50 percent based on local preferences. The local preferences include: 1) families that lost their public housing due to funding cuts; 2) elderly or disabled; 3) working families; 4) families who are actively enrolled in supportive services; 5) victims of disasters; and 6) veterans. In addition, federal regulations require that extremely low-income households make up at least 40 percent of families admitted to public housing during the HACM's fiscal year. Federal regulations also require that HACM have a policy and procedure for poverty de-concentration within its housing. For its Section 8 Housing Choice Voucher program, HACM selects voucher recipients based on the following local preferences: 1) families that lost their public housing due to funding cuts; 2) families that work or live in Monterey County; 3) working families; 4) elderly or disabled persons; 5) veterans; 6) victims of domestic violence; 7) families that will stay in the unit in which they are currently living after receiving a voucher; and 8) formerly homeless families enrolled in supportive services.

### **Advertising rental vacancies to the public and establishing and maintaining waiting lists**

HACM draws from an existing waiting list to fill vacancies in public housing and available Section 8 vouchers. When the waiting list opens or closes, HACM provides notice through its website, at its offices, in local newspapers, and through its housing and service provider network. Notices are provided in Spanish, and other languages as requested. HACM maintains fair housing outreach policies. These include identifying underserved populations; implementing strategies to reach underserved populations; and avoiding outreach methods that exclude protected classes.

After receiving an application, HACM conducts a preliminary assessment of the family's eligibility. Applicants that appear to be eligible receive written notice that they have been placed on the waiting list. Eligibility is verified at the time that a unit becomes available. HACM maintains the waiting list for both its public housing and Section 8 vouchers. On the public housing waiting list, HACM designates subparts to identify who should be offered the next available unit. The subparts are organized by development and target population. The waiting list is updated periodically to ensure that all application information is current and timely, in adherence to HACM procedure as described in the Administrative Plan.

HACM provides units, referred to as accessible units, designed for persons with mobility, sight, and hearing impairments. No non-mobility-impaired families will be offered these units until all eligible mobility-impaired applicants have been considered. HACM has a policy of requiring nondisabled families and individuals residing in accessible units to move to an available non-accessible unit within 30 days when there is a family or individual on the waiting list who requires an accessible unit.

**Assisting certificate and voucher holders to find suitable rental units throughout the jurisdiction**

The HACM Section 8 Administrative Plan has a policy of recruiting participating property owners with property located outside of areas of poverty and minority concentration. HACM actively promotes and markets the Section 8 program to meet this policy goal. HACM also provides attentive customer service to participating property owners in order to maintain existing relationships. Despite these efforts, there are very few Section 8 voucher holders in parts of the City of Monterey, as discussed in the Public Sector Policies and Practices section under the Zoning and Site Selection sub-section. This data shows that all but two of the City's census tracts have 3 percent or less of units that are subsidized rentals, including project-based and voucher-based subsidies. The two census tracts with greater than 3 percent subsidized rental units have at least twice as high a proportion of subsidized rental units than the other census tracts: Census Tract 127 (7%) and Census Tract 133 (8%). In these two Census Tracts HACM or its affiliate, MCHI Affordable Acquisitions, Inc., own and operate a total of 150 rental units.

The HACM provides informational materials about the Section 8 program in Spanish. All individuals with limited English proficiency are assisted in finding suitable rental units in order to remove barriers to housing. The HACM also individually assists persons with disabilities to find accessible housing.

**Coordination and cooperation among jurisdictions in surrounding metropolitan or regional areas in planning and carrying out housing and related activities**

HACM has a countywide service area, which facilitates coordination among jurisdictions in Monterey County. Given its service footprint, HACM works with AMBAG in carrying out the Regional Housing Allocation Plan. In addition, HACM is a participant in the Monterey County Homeless Continuum of Care.

**TABLE 20 PUBLICLY SUPPORTED HOUSING RESIDENTS BY PROGRAM TYPES, 2015**

Housing Units	(Monterey, CA CDBG) Jurisdiction	
	#	%
Total housing units	13,051	-
Public Housing	13	0.1%
Project-based Section 8	181	1.4%
Other Multifamily	14	0.1%
HCV Program	218	1.7%

*Sources: HUD Exchange; Decennial Census; APSH*

## ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

**TABLE 21 PUBLICLY SUPPORTED HOUSING RESIDENTS BY RACE/ETHNICITY, 2015**

(Monterey, CA CDBG) Jurisdiction	Race/Ethnicity							
	White		Black		Hispanic		Asian or Pacific Islander	
Housing Type	#	%	#	%	#	%	#	%
Public Housing	5	50.0%	1	10.0%	4	40.0%	0	0.0%
Project-Based Section 8	136	79.5%	2	1.2%	17	9.9%	16	9.4%
Other Multifamily	8	88.9%	0	0.0%	1	11.1%	0	0.0%
HCV Program	128	72.3%	18	10.2%	27	15.3%	3	1.7%
0-30% of AMI	790	68.1%	60	5.2%	75	6.5%	155	13.4%
0-50% of AMI	1,295	56.8%	60	2.6%	320	14.0%	285	12.5%
0-80% of AMI	2,570	63.0%	200	4.9%	580	14.2%	370	9.1%
<b>(Monterey, CA CDBG) Jurisdiction</b>	<b>19,376</b>	<b>72.5%</b>	<b>670</b>	<b>2.5%</b>	<b>3,431</b>	<b>12.8%</b>	<b>2,075</b>	<b>7.8%</b>

Sources: HUD Exchange; Decennial Census; APSH; CHAS

**TABLE 22 DISABILITY BY PUBLICLY SUPPORTED HOUSING PROGRAM CATEGORY, 2015**

(Monterey, CA CDBG) Jurisdiction	People with a Disability*	
	#	%
Public Housing	4	30.8%
Project-Based Section 8	48	27.1%
Other Multifamily	14	100.0%
HCV Program	143	79.0%

Source: HUD Exchange; ACS

**TABLE 23 PUBLICLY SUPPORTED HOUSING PROGRAMS BY NUMBER OF CHILDREN AND BEDROOMS, 2015**

Housing Type	Households in 0-1 Bedroom Units		Households in 2 Bedroom Units		Households in 3+ Bedroom Units		Households with Children	
	#	%	#	%	#	%	#	%
Public Housing	0	0.0%	13	100.0%	0	0.0%	4	30.8%
Project-Based Section 8	177	100.0%	0	0.0%	0	0.0%	0	0.0%
Other Multifamily	14	100.0%	0	0.0%	0	0.0%	0	0.0%
HCV Program	148	81.8%	25	13.8%	2	1.1%	9	5.0%

Source: HUD Exchange; APSH

#### **4. SALE OF SUBSIDIZED HOUSING AND POSSIBLE DISPLACEMENT**

In the sale of subsidized housing, the objective should be to preserve lower-income housing opportunities to the maximum extent feasible. However, if any displacement of current minority or disabled low-income families occurs, the objective then should be to provide other housing opportunities to displaced households by giving them a choice to relocate inside and outside minority neighborhoods or predominantly minority-occupied buildings. Because a relocation plan often solely relies on the provision of certificates or vouchers to displaced households, a good program to promote real choice in the use of certificates and vouchers is essential.

As required by state law, the City of Monterey's Housing Element identifies units at risk of losing affordability over the next five years. The City of Monterey 2015–2023 Housing Element identifies three at-risk properties with a total of 24 units in Table 25 on page 57. One of these properties, Yerba Buena Townhomes, had an affordability contract which expired in 2016, resulting in the conversion of 10 units to market rate. The other two projects have affordability contracts expiring in 2023. The City's policy is to try to prevent the conversion of subsidized housing to market rate if possible. The current policy is that upon notification by HUD that an at-risk housing project will be converted (due to HUD's inability to find a workable financial incentives package that will keep the project affordable and provide a sufficient rate of return for the owners), the City will evaluate the property in terms of its physical condition, bedroom mix, and location. The City will work with HACM and local housing providers to determine whether the project should be preserved and, if so, whether the cost required to acquire and rehabilitate the units makes economic sense. If it makes sense to acquire and rehabilitate the units, the City will work with HACM and housing providers to raise funds and execute the project.

#### **5. PROPERTY TAX POLICIES**

The Monterey County Assessor administers property taxes in Monterey County. The property tax rate, not including local assessments, is set at 1 percent of the net property value, and is divided among the county, city, school and special districts. The effective property tax rates, including local assessments, are 1.1 percent to 1.2 percent. Most types of publicly assisted housing properties are eligible for a property tax welfare exemption and are not required to pay property taxes.

#### **6. PLANNING AND ZONING BOARDS**

Jurisdictions should pay close attention to the importance of the relationship between the membership of planning and zoning boards and the decisions they make regarding neighborhood revitalization activities and lower-income housing site selection. Diversity in representation of citizens in the community, including lower-income racial and ethnic groups, gender categories, persons with disabilities, and families with children, should be a basic element of a jurisdiction's efforts to further the fair housing process. However, qualifying property owners must request a waiver and be approved before property taxes are eliminated or reduced.

The City of Monterey Planning Commission, Architectural Review Committee, and Historic Preservation Commission each include seven members. Application is open to all residents to be considered for appointment by a City Council subcommittee. Recruitment for a vacant seat an open process. Vacancies are posted in the *Monterey Herald* as well as the City's social media accounts on each occasion that there are seats available. The City has a policy of requiring that

any Commission or Committee member with a conflict of interest relative to a deliberation recuse himself or herself from the discussion and voting.

## **7. BUILDING CODES AND ACCESSIBILITY**

In most respects, the City's site improvement standards and building codes generally do not unfairly impact the feasibility of developing affordable housing. This assessment is further described in the City of Monterey 2015–2023 Housing Element, Section III: Housing Constraints. One major exception is in permit processing, as apartment complexes over four units outside of specific plan areas require approval of a use permit by the Planning Commission. The Housing Element states that processing time for a use permit typically takes about 60 days, which the City does not consider a constraint to the development of housing, and the use permit process is clearly explained and transparent. The City of Monterey has adopted the 2010 Uniform Building Code and the 2013 California Green Buildings Standards Code. These codes conform with federal and state fair housing law. The City requires typical site improvements to adjacent rights of way for public health and safety, including driveways, sidewalks, curb, and gutters.

The City's Municipal Code allows the City Manager or designee to approve modifications to development standards in order to accommodate improvements that provide access to persons with disabilities. Housing Element Program f.1.6 expands and clarifies this policy.

**CONCLUSIONS AND RECOMMENDATIONS****UPDATES TO IMPEDIMENTS IDENTIFIED IN THE 2010 AI**

Developing categories and, in some cases, additional breakdowns of each impediment ensures that the City can design measurable implementation actions to more fully address fair housing issues. Through this analysis, three main impediment categories were identified: Impediments that are too large to be addressed by Monterey alone, impediments that need stronger framing to protected classes, and impediments that will require more clear and feasible actions.

**Category 1: Regional Callouts**

Impediments in this section are those that are larger, regional issues that are unlikely to be significantly impacted at a local level, and will require regional collaboration to address. These impediments will be given additional analysis in the regional AFH process.

**Impediment 7: Lack of Available Homeless Resources**

The City has continued to fund homeless service providers through the CDBG program and is in the process of amending the Zoning Ordinance to allow emergency shelters as a permitted use to comply with State Law. Homelessness and the provision of homeless services and resources is a regional issue in Monterey County, particularly in Seaside and the City of Monterey, which share borders. HUD has recognized the regional nature of homelessness through the Continuum of Care structure, and any comprehensive response to homelessness in Monterey will need regional buy-in and support to be successful. The City also recognizes the regional nature of the homeless issue and is working to support the issue through a variety of activities: AFH, attending Leadership Council Meetings in support of the 10 Year Plan to End Homelessness, participation in Leadership Council's Pipeline Committee, etc.

**Impediment 4: High Cost of Housing**

The high cost of housing on the Central Coast contributes to housing discrimination due to the fact that protected classes are often disproportionately impacted by housing prices and availability. However, this issue is not specific to Monterey, and is unlikely to be solved through actions taken by one city. As such, this AI has deemed this impediment a "regional callout," which can be properly addressed not just from the actions taken by the City of Monterey, but of the entire region. In this updated AI, data and discussion on housing prices and availability has been completed but the impediment has not been included in the final restructured impediments.

**Category 2: Framing to Protected Classes**

Impediments in this category are still considered impediments in the City of Monterey, but require more rigorous analysis and evidence to show how they disproportionately impact protected classes. Furthermore, the actions proposed to mitigate these impacts must be clear and measurable.

**Impediment 1: Potential Evidence in Discrimination in Lending Practices**

While lending discrimination is still a concern in Monterey, it was necessary to confirm whether this discrimination is potential or actual, and to gain an understanding of the lending trends that



contribute to housing discrimination. In addition, the actions the City must take to accomplish these two goals should be more specific and measurable.

### Impediment 6: Barriers to Development of Affordable Housing

While the City has completed a number of related actions that were recommended in the previous AI, this impediment will likely persist. Furthermore, it is unclear how this impediment is specific to protected classes, and therefore difficult to develop measurable implementation aimed at protecting these groups of people. Upon reframing this impediment, it will be possible to prescribe more specific actions to aid in developing affordable housing that will be accessible by members of all residents, including those in protected classes.

### Impediment 8: Fair Housing Practices

The City continues to provide funding to agencies that can provide fair housing counseling and identify Fair Housing Act violations. However, this impediment is vague, which resulted in actions in the previous AI that lack specificity and metrics. Rephrasing this impediment to be more specific will allow stronger and more measurable implementation.

### **Category 3: Development of Clear and Feasible Actions**

Impediments in this category are in need of more clear and specific actions that will have significant and measurable improvements on the state of fair housing in Monterey.

### Impediment 2: Presence of Lead-Based Paint

As noted in the memo that preceded this update, the City has addressed this impediment in several ways, such as including lead-based paint abatement in its housing rehabilitation program and a Lead-Based Paint Strategy in its CDBG Annual Action Plan. However, the previous AI did not specify quantifiable actions (e.g., a requirement for how many abatements to perform) to mitigate the impacts of lead-based paint. This updated AI provides a more specific description of the lead based paint assessment program that the City intends to implement moving forward.

### Impediment 3: Housing Choice (Section 8) Voucher Use

While housing choice voucher usage is an option for low-income renters, the program has a long wait-list and many landlords are unwilling to accept vouchers due to existing societal stigmas. This updated AI provides a more specific description of actions the City will take to address this issue.

### Impediment 5: Supply of Affordable Housing for Large Households

While Monterey has completed several actions aimed at removing housing barriers for large households, several impediments lacked clear outcomes that can easily be assessed for completion. Future actions will need more specific language and metrics.

### **Updated Impediments**

Upon delineating the impediments in the previous AI, it was necessary to update some of the impediments by strengthening the language, or in some cases, creating multiple impediments out of what was previously one impediment. The following is a list of the restructured impediments, including those that remain the same from the previous AI.

### *Impediment 1: Inadequate Analysis of Potential Discrimination in Lending Practices, and Lack of Information about How to Effectively Address It.*

The Home Mortgage Disclosure Act (HMDA) data in the Private Sector Practices section shows higher rates of mortgage denial for non-white households than for white households, and for Hispanic households than for non-Hispanic households. This indicates the possibility of racial bias in the private mortgage market. However, the difference between loan denials by race (white/non-white) and ethnicity (Hispanic/non-Hispanic) are not dramatic, with a difference of 8 percent in both cases. Furthermore, the sample size is small, with only 1,168 total mortgages analyzed, and limited to one year of data. Therefore, it is recommended that the City take the following steps to further analyze and track potential discrimination in lending practices:

Although the City has a supply of affordable housing units for both renters and owners, few of these can accommodate large households, which represent approximately 5 percent of the City's households. The previous AI recommended a Zoning Ordinance change (also recommended in the previous Housing Element). Since 2010, the City has implemented land use changes to accommodate large families, including Program a.1.4, which encourages the adoption of development standards for multifamily, condominiums, and ownership townhomes in R-3 and commercial zones. The previous AI also recommended encouraging developers to build three- and four-bedroom units through the Inclusionary Ordinance. A more specific action and expected outcome with measurable metrics is recommended for the 2015–2019 AI.

*Objective 1.1:* Track HMDA data on an annual basis to collect a longitudinal data set that will help determine the extent of verifiable and persistent racial discrimination.

*Objective 1.2:* Establish relationships with local lenders and real estate agent associations, to better understand what steps they are taking to promote borrowing opportunities for racial and ethnic minorities. Identify specific and concrete strategies that the City or the Housing Resource Center can take to help lenders affirmatively market to racial and ethnic minorities. The City may consider offering supportive resources to mortgage lender groups in the form of an annual workshop or event that provides a venue to review HMDA data, address potential problems regarding lending discrimination, and discuss fair housing law and how to best implement fair housing practices.

*Objective 1.3:* Evaluate the Inclusionary Ordinance to identify incentives for the development of affordable three- and four-bedroom units. Incentives could include a reduction in parking and/or open space requirements, and/or a reduction in the affordable set-aside requirement, additional flexibility in addressing floor-area-ratio requirements, and other adjustments that could help encourage the development of new three- and four-bedroom units. The rationale for any of these incentives could be that the development with larger units is proposing a greater or equal number of affordable bedrooms than projects with smaller units. Update the Inclusionary Ordinance to include the incentives identified that will best encourage the development of larger units.

### *Impediment 2: Public Policy Barriers to the Development of Affordable Housing throughout the City*

While the City has taken a number of steps to relieve some regulatory barriers on the development of affordable housing such as the adoption of specific plan areas that encourage housing in mixed-use development, some barriers remain. Some of the most significant are economic due to the limited availability of land and high demand for housing in Monterey. As documented in the Community Profile section of this document, barriers may have contributed to high housing cost burdens, economic and racial segregation, and lack of access to opportunity for low-income households and racial and ethnic minorities. Notwithstanding the

progress that has occurred, some regulatory mechanisms may continue to contribute to the persistent lack of housing affordability in the City as a whole, and a more acute lack of housing affordability in some areas of the City in particular. One of the purposes of this AI is to identify impediments to housing choice and access in areas of opportunity.

When redeveloping a site, water use is limited to whatever the water usage was previously on the site. The only way to increase that capacity is to apply to the City to receive an additional portion of its allocation, which is limited. This could be a significant barrier to redeveloping some former non-housing sites for housing.

The City has employed various measures to address barriers to affordable housing, but these measures may need to be enhanced, strengthened, or modified to reverse segregation, concentration of poverty, and lack of access to opportunity. Three measures could be analyzed in greater depth: 1) the review and permitting process and incentives for family size multifamily housing; 2) the Condominium Conversion Ordinance; and 3) range of possible incentives that may lead to increased very-low and low income housing at current allowable housing densities in the Downtown and Special Planning Districts.

*Permitting Process for Multifamily Housing*—The current Zoning Ordinance requires that any housing development with four or more units outside of specific plan areas must apply for a discretionary use permit. This requirement applies to multifamily dwellings in all zones where it is permitted, both residential and commercial. The use permit requires Planning Commission review and approval. Many municipalities allow multifamily development by right in multifamily-zoned districts, most often with some level of architectural review, if the development meets certain use and density standards. Monterey's process introduces significant timeline impacts, unpredictability, and risk to housing proposals. This may affect the amount of housing units that are developed, where they are developed, and the cost to develop them.

*Condominium Conversion Ordinance*—The City's Condominium Conversion Ordinance establishes a regulatory process for apartments to be converted to condominiums. The 2015–2023 Housing Element states that this ordinance has facilitated the conversion of 95 homeownership units affordable to households with low or moderate incomes, as the conversions are subject to the inclusionary housing requirement. However, about 362 condominium conversion units were sold at prices unaffordable to households earning moderate income (120% of area median income) or less. The City should investigate whether this ordinance is reducing the overall supply of housing affordable to low-income households, and in particular to very low-income and extremely low-income households.

*Maximum Allowable Housing Densities*—The Municipal Code allows multifamily housing in Zoning Districts R-3 and commercial zones at up to 30 units per acre. Multifamily housing in the commercial zones, including the Downtown and Special Planning Districts, may exceed 30 units per acre if the building size and height are compatible with adjoining buildings. Specific plan areas include mixed-use projects as part of the Planned Community Zoning District, and this zoning district allows up to 100 units per acre. Although this policy may make it extremely challenging for very-low and low income multifamily housing to be built outside of certain zones of the City, this policy is intended to encourage higher density to develop in the commercial areas where there is access to transit and services. With appropriate incentives, potential densities in these commercial areas may be adequate to facilitate very-low and low-income housing development.

*Objective 2.1:* Assess how the City's discretionary approval process and incentives for multifamily housing impacts the production of very-low and low-income housing, including the

impact on development timelines, risk, feasibility, cost, and availability in areas of opportunity. Findings may be presented to the Planning Commission and the City Council for their review and recommendation.

*Objective 2.2:* Investigate how the Condominium Conversion Ordinance affects the availability of affordable rental housing, including an estimate of the number of rental units affordable to low-income households lost, and projected future losses of rental units affordable to low-income households. Findings may be reported to the Planning Commission and City Council for their review and recommendation

*Objective 2.3:* Analyze the economic feasibility and/or needed incentives to develop very-low and low income multifamily housing inside of the Downtown and Special Planning Districts at current allowable densities. Model a range of incentives to determine what opportunities might be feasible under current densities. Findings may be reported to the Planning Commission and City Council for their review and recommendation.

### **Impediment 3: Incomplete Information about Fair Housing Violations and Lack of Initiatives to Promote Fair Housing Awareness among Housing Providers**

According to the City's 2016 Action Plan, the City has continued to provide funding to Project Sentinel and Legal Services for Seniors for fair housing outreach and counseling to those at risk of housing discrimination. However, beyond required reporting by these organizations of fair housing disputes, no information is available about the extent of fair housing violations by housing providers and real estate agents. In addition, the City's planning documents do not have information about any collaboration with housing providers or real estate agents to expand their awareness of fair housing regulations and best practices.

*Objective 3.1:* Continue to allocate CDBG Public Services funds for agencies to represent low-income tenants in fair housing violation cases.

*Objective 3.2:* As discussed in Objective 1.2, consider collaborating with local housing providers and real estate agent associations to sponsor an annual workshop or event that includes training or education in fair housing law. This training should expand awareness of fair housing regulations and best practices. Consider use of CDBG funds for this purpose.

### **Impediment 4: Presence of Lead-Based Paint in Older Homes**

Due to the age of the housing stock in Monterey, most homes were constructed before the lead-based paint ban in 1978. There have been 13 childhood lead poisonings in Monterey since 1997. As described in this document and in the 2015–2019 Consolidated Plan, low income and racial and ethnic minority households disproportionately experience housing problems, and pay a larger portion of their income toward rent, when compared to white and higher-income households. As a result, these fair housing protected classes are more likely to live in lower-cost housing that is older and in need of repair. This condition of greater exposure to lead-based paint for protected classes is an impediment to achieving fair housing goals.

Due to these findings, the 2010 AI identified this issue as an impediment to fair housing, and recommended actions to raise awareness about the dangers of lead-based paint and provide resources for mitigation. The City also adopted a comprehensive Lead-Based Paint Strategy as part of its 2016 CDBG Annual Action Plan. This strategy involves case-by-case lead-based paint abatement through the City's Housing Rehabilitation Program and Historic Preservation Program.

While the City has taken steps to comply with the recommendations of the previous AI, the City will need to reframe this impediment to be more specific to at-risk protected classes, while also providing quantifiable actions to reduce the presence of lead-based paint in housing.

*Objective 4.1:* First, identify neighborhoods with concentrations of low-income and racial and ethnic minority households, and concentrations of older housing units with deferred maintenance. Second, identify structures within such neighborhoods that are in greatest need of repair based on visual surveys and code enforcement and building department records. Implement outreach to the homeowners and landlords of the identified structures to offer lead-based paint mitigation services with CDBG funds. The City will provide funding for lead based paint hazard assessment for all interior housing rehabilitation grant and loan activities. Mitigation will occur when approved scope of work encounters the lead based paint. The program should provide assessment of 30 homes over the next 3 years.

### ***Impediment 5: Barriers to Section 8 Housing Choice Voucher Use***

As shown in Figure 3 and described in the Public Sector Policies and Practices, Public Housing Section of this document, a very small portion of units in the City are occupied by Section 8 voucher holders. Furthermore, two census tracts each have much higher proportions of units occupied by Section 8 voucher holders than the rest of the City. These conditions exacerbate segregation and concentration, and limit Section 8 voucher holder access to areas of opportunity.

The previous City's 2010 AI recommended that the City work with HACM to expand outreach efforts to landlords in Monterey. The City's 2016 Action Plan sets a goal of working with HACM to increase the use of Section 8 vouchers in the private real estate market. As of 2015, there were 218 vouchers used within the City of Monterey, which was 6 percent of total vouchers in the County.

*Objective 5.1:* Work with HACM to develop an outreach strategy to landlords who own rental housing in the City of Monterey. The strategy should include providing a "Section 8 Marketing Packet" that includes resources that assist landlords in addressing potential problems or concerns, and a description of the benefits of program participation that includes specific measurable outcomes and testimonials where possible. Hand deliver the Section 8 Marketing Packet to (15) landlords with rental units in the City of Monterey each year for the next three years.