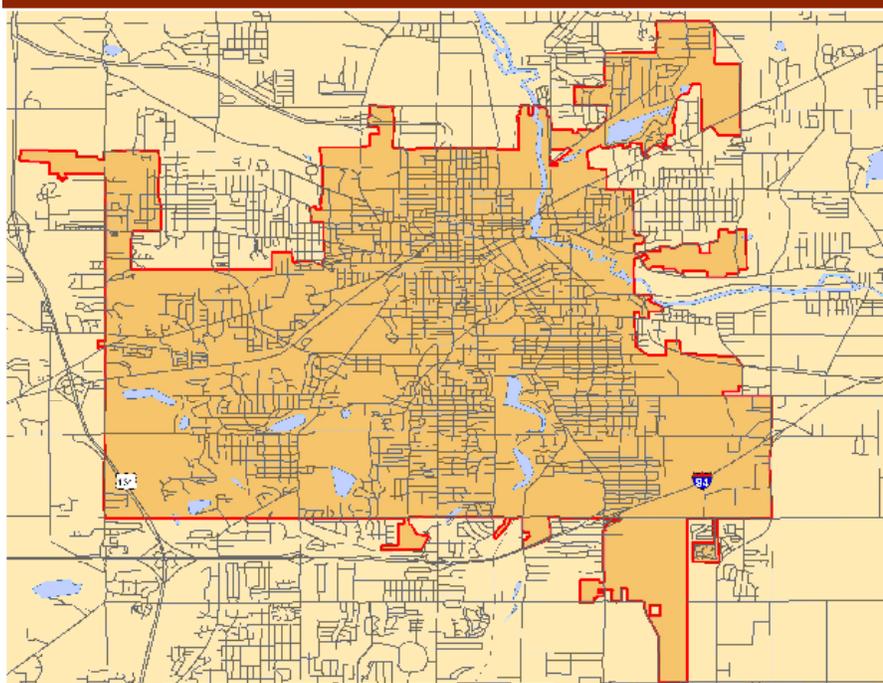


City of Kalamazoo, Michigan

Analysis of Impediments to Fair Housing



January 2009

Bobby J. Hopewell, Mayor
City of Kalamazoo, MI



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CITY OF KALAMAZOO, MICHIGAN ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

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Final Report

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Introduction and Acknowledgements

Introduction

This report provides an Analysis of Impediments to Fair Housing Choice (AI) for the City of Kalamazoo, Michigan for program year 2008 -2009. This AI was conducted using a methodology consistent with the U.S. Department of Housing and Urban Development (HUD) guidelines. HUD requires that each jurisdiction receiving federal funds certifies that it is affirmatively furthering fair housing. The certification specifically requires jurisdictions to do the following:

- Conduct an **analysis of impediments** to fair housing choice within the state or local jurisdiction.
- Take appropriate actions to overcome the effects of any impediments identified through that analysis.
- Maintain records reflecting the analysis and actions in this regard.

Lead and Participating Agencies

The City of Kalamazoo, Community Planning and Development Department, Neighborhood Development Division was responsible for oversight and coordination of the AI process. The City of Kalamazoo retained J-Quad Planning Group, a Community Development, Urban Planning and Housing Consulting firm to assist in the preparation of the AI.

Acknowledgements

Data collected in preparing the AI relied in part on input from the public. The process included information gathered from three citizen focus groups, key persons interviews, and data provided by the Community Planning and Development Department, Neighborhood Development Division, and other City Departments. We also acknowledge the participation of the local chamber of commerce, and representatives from the financial, housing development, non-profit, social services, business and real estate industries. Special thanks to the Fair Housing Center of Southwest Michigan for its participation and contributions toward making the AI process a success.

Executive Summary

Introduction

In 1995 the U.S. Department of Housing and Urban Development (HUD) announced that entitlement communities - communities receiving direct federal funding from Community Development Block Grant, HOME Investment Partnership and Emergency Shelter Grant programs – must conduct a study of existing barriers to housing choice. This required study is referred to as the "Analysis of Impediments (AI) and is part of entitlement communities' consolidated planning process.

The purpose of the AI is to examine how state and local laws, private, public and non-profit sector regulations, administrative policies, procedures, and practices are impacting the location, availability, and accessibility of housing in a given area. The AI is not a Fair Housing Plan - rather it is an analysis of the current state of fair housing choice in Kalamazoo and identifies specific barriers that need to be addressed if future fair housing initiatives are to be successful.

Each jurisdiction receiving federal funds must certify that it is affirmatively furthering fair housing. The certification specifically requires jurisdictions to do the following:

- Conduct an analysis of impediments to fair housing choice within the state or local jurisdiction.
- Take appropriate actions to overcome the effects of any impediments identified through that analysis.
- Maintain records reflecting the analysis and actions in this regard.

Evaluating fair housing impediments is a complex process involving diverse and wide-ranging considerations. The role of economics, housing patterns, and personal choice are important to consider when examining fair housing choice. Kalamazoo has relatively few impediments to fair housing. However, some issues were identified.

The analysis of fair housing choice in the City of Kalamazoo has resulted in the identification of impediments, identified through a study methodology that included conducting focus group sessions, the construction of a demographic analysis resulting in a community profile and fair housing index, analysis of the Home Mortgage Disclosure Act (HMDA) data for the City of Kalamazoo and Kalamazoo County, and a fair housing law and public policy and program review.

Community Profiles

Kalamazoo is the largest city in the southwest region of the State of Michigan and serves as the County Seat of Kalamazoo County. Kalamazoo is home to Western Michigan University, a nationally recognized research institution that has benefited from the local presence of Pfizer, Eaton Corporation and Stryker Corporation. The city is named for the Kalamazoo River, but there is debate as to where the name Kalamazoo actually comes from. It is generally thought the name originates in the language of either the Potawatomi or Odawa peoples who were native to the area at the time of European settlement. The area on which the modern city stands was once home to Native Americans of the Hopewell culture, who migrated into the area sometime before the first millennium. Evidence of their early residency still remains in the form of a small mound downtown in Bronson Park.

Based on the American Community Survey (ACS) estimates, the population of Kalamazoo was 72,161 in 2006. This represents a continued decrease in population according to the U.S. Census Bureau which estimated the population

of the City to be 77,145 in 2000. Although overall city population is declining, Kalamazoo experienced a significant increase in the Hispanic population, 53.5 percent between 1990 and 2000. The African-American population also increased by 5.8 percent from 18.8 percent to 20.6 percent of the total population between 1990 and 2000. The White population decreased by 12.0 percent for that same period from 77.3 to 70.8 percent of the city population.

Minority households face significant challenges to fair housing choice, largely due to their household characteristics. Female-headed households and female-headed households with children generally face a high rate of housing discrimination. Incidents of discrimination among female headed households tend to increase even more for such households when headed by ethnic minorities. In 2000, the percentage of female-headed households with children among White households was 5.3 percent, compared to 29.8 percent in African-American households, and 15.0 percent in Hispanic households.

Families with children and large family households face similar challenges in the rental housing market. When considering all family types with children present in Kalamazoo, 19.5 percent of White households, 43.0 percent of African-American households, and 48.7 percent of Hispanic households were in this category. Non-family households tend to face the least challenges in fair housing choice. In 2000, non-family households made up 55.7 percent of all White households in Kalamazoo. Non-family households accounted for 34.2 percent of all African-American households and 30.5 percent of all Hispanic households.

Overall, the income distribution data show a higher proportion of low-income households within the African-American and Hispanic communities. This is significant in that, limitations on fair housing choice are more commonly found to affect housing decisions among low-income persons. The modal income class, the income class with the highest number of households, for Whites was in the \$50,000 to \$74,999 range, accounting for 17.4 percent of White households.

This did not constitute a significant disparity between Whites and minority households in the \$50,000 to \$74,999 income range, with approximately 13.3 percent of African-American households and 16.9 percent of Hispanic households reporting incomes in this range. However, the most frequently reported income for African-American and Hispanic households was the less than \$10,000 range, with 23.8 percent of African-American households and 20.3 percent of Hispanic households earning this range. In comparison, only 12 percent of White households reported incomes in the less than \$10,000 range.

Minority households reported much higher incidents of poverty compared to Whites and poverty also negatively impacts fair housing choice. The poverty data shows the highest incidences of poverty concentrated in the African-American and Hispanic communities. The incidence of poverty among African-Americans was reported to be 32.5 percent compared to 29.5 percent among Hispanics, and 20.1 percent among White persons in 2000. As a comparison, the overall poverty rate for the city was 24.3 percent.

Employment opportunities in the area and educational levels of the employees have a significant impact on housing affordability and the location choice of residents. A loss of jobs in particular sectors may be impacting housing affordability and the location choice of residents as well. For example, there was some shift in the distribution of occupations between 1990 and 2000. Arts, entertainment, recreation, accommodation, and food services had the largest increase, at 11.2 percentage points to 13.0 percent. Educational, health, and social services had an increase, up 1.3 percentage points to 27.8 percent. Retail trade sector realized the largest reduction to 11.9 percent of the workforce, a decrease of 8.8 percentage points. There was also a reduction in the other professional services of 2.7 percentage points, to 4.6 percent of the total workforce.

The distribution of unemployment indicates that the highest unemployment rates were reported among African-American households. In the 2000 Census, 11.8 percent of White persons age 16 and over reported being unemployed. African-Americans persons in the same age group reported a 14.8 percent unemployment rate and Hispanics reported an 8.8 percent rate. The US Census shows that the unemployment rate was 12.4 percent for the overall city in 2000.

In Kalamazoo, the differences in the income among the three races may, to some extent, be attributed to limitations due to educational attainment. According to the 2000 Census, 47.2 percent of Hispanics age 25 and above reported less than a high school education compared to 16.9 percent of African-Americans and 11.6 percent for Whites in the same age group. As a comparison, the percentage of population with less than a high school education in the city was 15.8 percent in 2000.

According to the data provided by the Kalamazoo Regional Chamber of Commerce, updated in April 2007, the major employers in the city include Western Michigan University with 4,606 employees, Borgess Medical Center with 4,475 workers, Pfizer with 4,000 workers, Bronson Methodist Hospital with 3,573 employees, Stryker Medical Technology with 2,500 workers, Kalamazoo Public Schools with 2,300 employees, National City Bank with 1,600 employees, Meijer, Inc. with 1,594 workers, Summit Polymers with 1,097 employees, and the County of Kalamazoo with 1,065 employees.

The availability of jobs for low-income persons can be largely dependent on the geographic location of the jobs and transportation and mobility. To examine this issue, we reviewed public transportation and its ability to accommodate the community's mobility needs. Metro Transit provides fixed-route public transit service to the Kalamazoo urbanized area consisting of the cities of Kalamazoo, Portage, and Parchment, and the townships of Comstock, Cooper, Kalamazoo, Texas, and Oshtemo. Metro Transit buses operate during the peak hours, non-peak hours, and Saturdays from 6 am to 10:15 pm. Buses do not run on Sunday.

In addition Metro Transit also provides Metro Van curb-to-curb para-transit service. The fares appear to be reasonable at \$1.35 for adults, \$1.20 for children and low-income persons, and \$0.65 for senior and disabled persons.

Fair housing choice is limited by a declining housing market. According to the U.S. Census estimates, the number of housing units in Kalamazoo has fluctuated over the past three decades. Kalamazoo had 29,413 housing units in 2000 and 31,488 housing units in 1990, decreasing by 6.6 percent between 1990 and 2000. However, according to the American Community Survey estimates, the total number of housing units in the city increased to 30,597 in 2007.

Forty percent of all housing units were built prior to 1950, 15.6 percent were built between 1950 and 1959, 13.7 percent were built between 1960 and 1969, 15.3 percent were built between 1970 and 1979, and 15.4 percent were built after 1979. This means that the approximately 85 percent of the City's housing stock is more than 30 years old, built prior to 1979. These units may contain lead-based paint and are more likely to be in need of repairs and maintenance.

The housing market was stagnant relative to homeownership and vacancy rates from 1990 to 2000. The vacancy rate for housing units in the city had a marginal increase of 1.5 percentage points from 2079 to 2385 units. The homeownership rate marginally increased from 47.4 percent in 1990 to 47.7 percent in 2000. According to the 2000 Census data, the median home value for the single-family houses in the city was \$80,700 and the median contract rent was \$476. The average income required to qualify for a mortgage based on the year 2000 median home price of \$80,700 is approximately \$20,000 to \$25,000 in household income. Therefore, home ownership is not attainable to many in the City with approximately 37.3 percent of White person households, 54.1 percent of African American households and 40.4 percent of Hispanic households earning less than \$25,000 in annual income.

Fair Housing Law, Municipal Policies and Complaint Analysis

The City of Kalamazoo has not enacted a local fair housing ordinance and does not have a municipal office to investigate fair housing complaints. However the city provides funding to the Fair Housing Center of Southwest Michigan, a local HUD funded Fair Housing Assistance Provider (FHAP). The Fair Housing Center provides outreach, education, testing and investigation locally. The City of Kalamazoo's Fair Housing Officer (FHO) receives complaints regarding fair housing issues and refers them to HUD Regional Office in Chicago for official assignment and investigation.

In addition, the City amended its Anti-discrimination Ordinance in November 2008, further strengthening its public policy against discrimination. The City's Anti-Discrimination ordinance generally prohibits discrimination in the areas of housing, public accommodations, employment and city contracting against persons identified as protected class members under the Federal Fair Housing Act. The City's ordinance extends its anti-discrimination protections to person based on their actual or perceived age, height, weight, marital status, sexual orientation, and gender, which are class members not specifically included in the federal law. However the City ordinance is not substantially equivalent to the federal Fair Housing Act relative to protections against discrimination in all real estate and housing related transactions, as well as its provisions for enforcement and fines. The Federal Fair Housing Act generally prohibits discrimination based on seven of the previously mentioned protected classes but extends the prohibition to include all residential housing, residential sales, advertising, and residential lending and insurance related transactions. A major consideration in determining if the local ordinance is substantially equivalent to the federal Fair Housing Act is the provision of enforcement and fines. The Federal Fair Housing Act has no limit on the amount of recovery and the Act imposes substantial fines. The fine for the first offense can be up to \$10,000; the second offense, up to \$25,000; and the third offense, up to \$50,000. A fine of not more than \$500 plus court cost can be imposed for a violation of the City's ordinance.

The State of Michigan has enacted a fair housing law that is substantially equivalent to the federal Fair Housing Act and provides for substantially equivalent enforcement.

Fair housing complaint information was received from the regional office of the U.S. Department of Housing and Urban Development in Chicago. The data provides a breakdown of complaints filed for Kalamazoo from January 1, 2003 through October 31, 2007. Fifty three cases were filed according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Handicap, Sex, and Race. Of the 53 cases, 51 were closed with a satisfactory resolution. Six cases were closed with conciliation where probable cause was found prior to being conciliated. Twenty seven cases were closed with a no cause determination. This means that justification for the complaint was not applicable to the Fair Housing Law. Eleven were closed because the complainant withdrew the complaint after the resolution. One case was dismissed due to lack of jurisdiction. Four cases were closed due to the lack of cooperation from the complainant. One case was closed because they were unable to locate the complainant and one case closed for untimely filing.

The analysis of real estate advertisements from various news papers and free home advertising magazines in the area did not reveal any activities that might be violations of Fair Housing Law. Most advertisements featured the EHO logo or statement.

During the PY 2007 CAPERS reporting period, June 1, 2007 – May 31, 2008, \$1,888,768 in Community Development Block Grant (CDBG), \$682,933 of HOME Investment Partnership (HOME), and \$80,734 in Emergency Shelter Grant (ESG) funding was awarded to the City of Kalamazoo through these three entitlement programs. In addition, the City of Kalamazoo and its sub-recipient partners realized \$372,386.26 in CDBG-generated program income which is also used to achieve the goals and objectives of the Consolidated Plan. The City of

Kalamazoo continues to make every effort to increase the impact of its federal HUD funding, placing as many resources as possible into direct community service and seeking additional leveraged funds for overall community development.

Focus Group Sessions

Three focus group sessions were held on October 28, 2008. Participants in the focus groups included representatives from the City of Kalamazoo staff, local non-profit organizations, housing professionals, industry leaders, the general public and other community representatives. At each focus group session, general issues related to the housing market and specific concerns pertaining to fair housing choice in Kalamazoo were discussed. Supplemental interviews were conducted with individuals from the community and industry representatives to obtain information from those unable to attend the sessions.

Discussion in the fair housing focus group sessions spanned numerous issues, but the following issues were voiced repeatedly; lack of affordable housing, poverty, inadequate public transportation options, lack of homebuyer education, predatory lending, credit issues and financial literacy.

The **Fair Housing Index** highlights geographic areas indicating a concentration of attributes prevalent in fair housing issues. These attributes include high minority concentrations, older housing stock, reliance on public transportation, low income, low housing values and contract rents, a high percentage of female headed households with children, a high ratio of loans denied to loans originated, high unemployment rates, and high rates of high school dropouts. The collective concentration of these issues can lead to neighborhood deterioration and declining market conditions that tend to impede fair housing choice.

The high risk areas, census tracts designated as having high to moderate risk of fair housing related problems are concentrated in the northern and northeastern

census tracts of Kalamazoo. These areas of greatest concern contain the oldest housing stock, most likely in poor condition, with lower housing values and rents, and are primarily occupied by minority households that have higher percentages of households headed by females with children than that of other census tracts or areas. There is a higher than average unemployment rate and lower than average level of educational attainment.

The **Home Mortgage Disclosure Act** (HMDA) data analysis indicates that there are issues of concern in mortgage lending. Loan denials for minority populations are at much higher rates compared to that of White applicants. The analysis does not provide conclusive evidence of fair housing impediments, however the data indicates that some characteristics of redlining may be occurring in some of the very low-income census tracts in Kalamazoo. Low-income applicants tend not to have a very high success rate overall in their loan applications, and particularly within the very low-income census tracts. We were equally concerned that even high-income applicants showed a poor success rate when applying for loans in low-income tracts. High-Income applicants in very low-income tracts had a 30.1 percent origination rate, compared to a 60.9 percent origination rate in high income census tracts.

Remedial Activities Recommended To Address Impediments

Fair housing choice within the City of Kalamazoo encounters a number of impediments, as identified through focus group sessions, a review of public policies, the analysis of market conditions, the construction of a fair housing index, and analysis of the Home Mortgage Disclosure Act (HMDA) data for Kalamazoo City and Kalamazoo County.

The following impediments are identified and discussed in Section Six of this report as barriers to fair housing.

6.1 Real Estate Impediments

Impediment: Inadequate supply of affordable housing.

Remedial Actions:

1. Work with local banks, developers and non-profit organizations to expand the stock of affordable housing.
2. Increase production of new affordable housing units and assistance toward the purchase and renovation of housing in existing neighborhoods.
3. Greater emphasis on capacity building and technical assistance initiatives aimed at expanding non-profit, faith based organizations and private developers' production activities in the City.
4. Alternative resources for housing programs should be sought from Federal Home Loan Bank, Fannie Mae, U.S. Department of Treasury Community Development Funding Institution (CDFI) program, and other state and federal sources.
5. Consider inclusionary zoning, as one alternative means of promoting balanced housing development.
6. Encourage major employers and lenders to design and implement Employer-Assisted Housing (EAH) programs.

6.2 Banking, Finance, Insurance and other Industry related impediments

Impediment: Impacts of the Sub-Prime Mortgage Lending Crisis and increased Foreclosures.

Remedial Actions:

1. Identify funding to provide mortgage assistance to first time home buyers.
2. Work with the State, National Non-Profit Housing Intermediaries and HUD to develop a program and identify funding that can help reduce the mortgage default rate and foreclosure rates among low and moderate income home buyers and existing home owners. The program includes: maintenance and replacement reserve account; mortgage default and foreclosure prevention account; post purchase support programs.
3. Evaluate the feasibility of creating a maintenance and replacement reserve account for affordable home buyers assisted with the City's federal funds to ensure that funds are escrowed to help cover the cost of major repairs.
4. Evaluate the feasibility of creating a mortgage default and foreclosure prevention account for affordable home buyers assisted with federal funds to ensure that funds are escrowed to help cover the cost of unexpected income/job loss and to write down interest rates.
5. Evaluate the feasibility of creating and implementing post purchase support programs in conjunction with non profit development partners to provide housekeeping and preventive maintenance training, and organize neighborhood programming such as associations, crime watch and other initiatives aimed at strengthening and maintaining neighborhood stability.

Impediment: Low number of loan applications from minorities.

Remedial Actions:

1. Continue homebuyer outreach and education efforts.
2. Encourage banks and mortgage companies to expand homebuyer support services as a means of improving the origination rates among minorities.
3. Discuss findings in this study relative to the HMDA data with lending institutions and encourage them to develop strategies to improve the success rate among loan applications submitted by minority applicants.
4. Expand homeownership and credit counseling classes as part of the high school curriculum in order to help prevent credit problems.

Impediment: Predatory lending and other industry practices.

Remedial Actions:

1. Encourage lending institutions to build banking centers in low-income census tracts and to provide greater outreach to the low income and minority communities.
2. Establish or reestablish checking, saving, and credit accounts for residents that commonly utilize check cashing services through Bank initiated “fresh start programs” for those with poor credit and previous non compliant bank account practices.
3. Encourage appraisal industry comparability studies to identify real estate comparables that more realistically reflect the values of homes being built in low income areas.

6.3 Socio-Economic Impediments

Impediment: Poverty and low-income among minority populations.

Remedial Actions:

1. Continue to work on expanding job opportunities through the recruitment of corporations, the provision of incentives for local corporations seeking expansion opportunities, assistance with the preparation of small business loan applications, and other activities.
2. Continue to support agencies that provide workforce development programs and continuing education courses to increase the educational level and job skills of residents.

6.4 Neighborhood Conditions Related Impediments

Impediment: Limited resources to assist lower income, elderly and indigent homeowners maintain their homes and stability in neighborhoods.

Remedial Actions:

1. Design and implement a Centralized Program of Self-Help Initiatives based on volunteers providing housing assistance to designated elderly and indigent property owners and assist them in complying with municipal housing codes.

2. Gain greater involvement from volunteers, community organizations, religious organizations/institutions and businesses as a means of supplementing available financial resources for housing repair and neighborhood cleanups.

Section 1: Community Profile

Introduction

The Community Profile is a review of demographic, income, employment, and housing data of Kalamazoo, Michigan primarily gathered from the 1990 and 2000 U.S. Census, and other sources. The following sections provide an overview and analysis of the current status of the community in Kalamazoo:

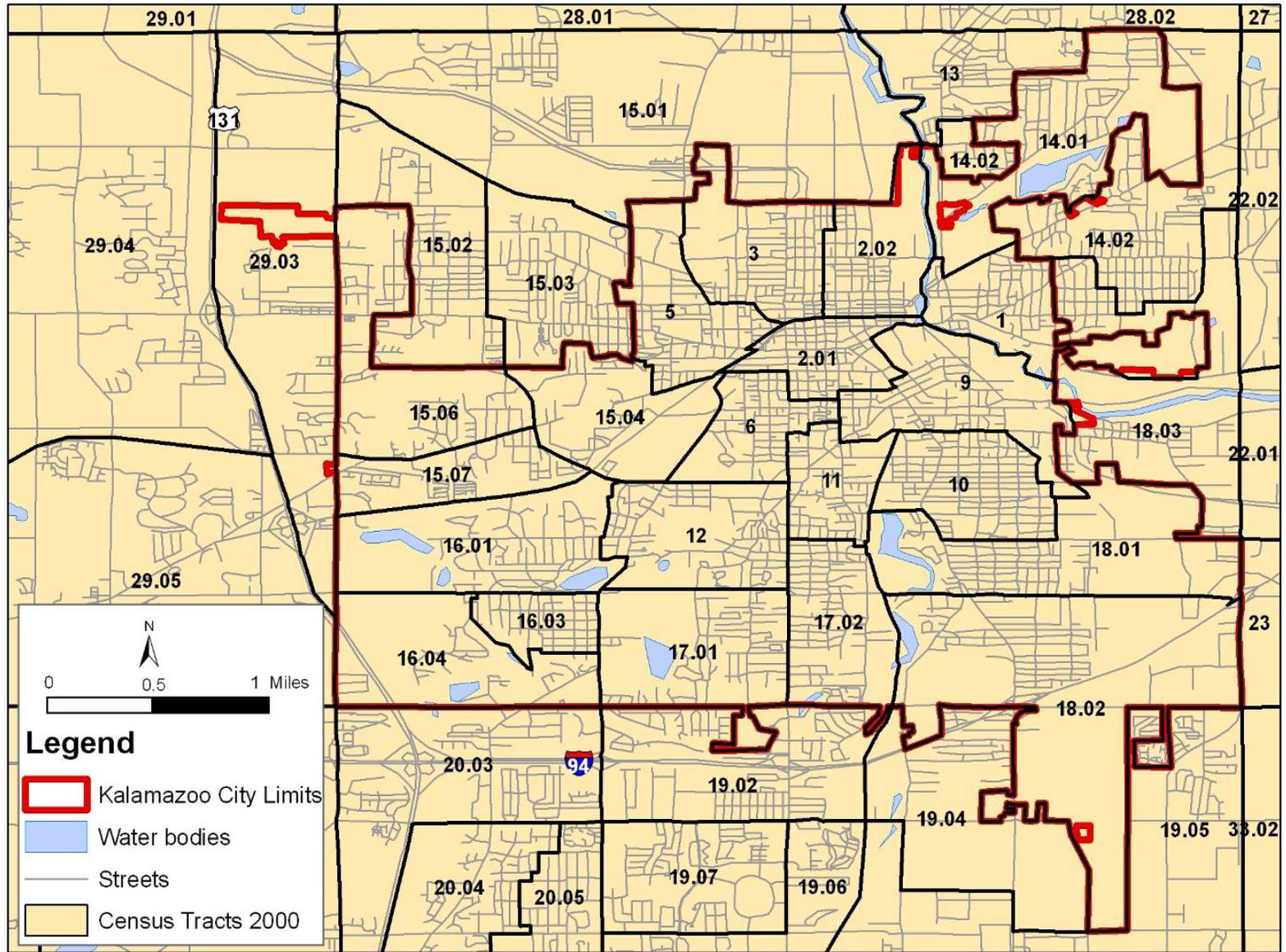
- Demographics - examines the basic structure of the community in terms of racial diversity, population growth, and family structure.
- Income - analyzes income sources, the distribution of income across income class, and poverty.
- Employment - examines unemployment rates, occupation trends, and major employers.
- Public Transportation – analyzes the access and availability of public transportation systems.
- Housing - examines data relative to housing stock, with particular attention to the age of the housing stock, vacancy rates, tenure, and cost burdens.

Our detailed analyses will concentrate on differences among major ethnic groups in Kalamazoo: Whites, African-Americans, and Hispanics. All other ethnic groups are smaller in number and percentage and, therefore, will not be examined in detail. The narrative is supported with tables and maps provided as reference materials. The data most critical to our analyses and conclusions are presented in the tables and maps and directly referenced in the text. There may be some cases where additional information was included for the reader's benefit, though not noted in the text.

1.1. Demographics

The demographic analysis concentrates on the magnitude and composition of the population and changes that occurred between 1990 and 2000 and 2000 and 2007, to the extent that data was available for that period. Please note that the attached maps present data by census tract with an overlay of the city limits. For reference, Map 1.1, on the following page, provides a visual representation of Kalamazoo.

Map 1.1: Kalamazoo, Michigan



Based on the American Community Survey (ACS) estimates, the population of Kalamazoo was 72,161 in 2006. This represents a continued decrease in population according to the U.S. Census Bureau which estimated the population of the City to be 77,145 in 2000. Table 1.1, further details the population decline showing a decrease of 3.9 percent between 1990 and 2000. Although overall city population is declining, Kalamazoo experienced a significant increase in the Hispanic population, 53.5 percent between 1990 and 2000. The Census Bureau does not recognize Hispanic as a race, but rather as an ethnicity. This may account for the 248.5 percent increase in the “Other” category between 1990 and 2000. Ethnic Hispanics often choose the ‘other’ category on the Census for race rather than White or African-American.

The African-American population increased by 5.8 percent from 18.8 percent to 20.6 percent of the total population between 1990 and 2000. The White population decreased by 12.0 percent for that same period from 77.3 to 70.8 percent of the city population. There was a 26.0 percent increase in the Asian and Pacific Islander population but they accounted for only 2.5 percent of the total population in 2000. The American Indian and Eskimo population decreased by 1.1 percent and was less than one percent of the total population of the city in 2000.

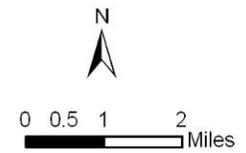
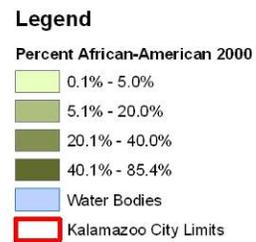
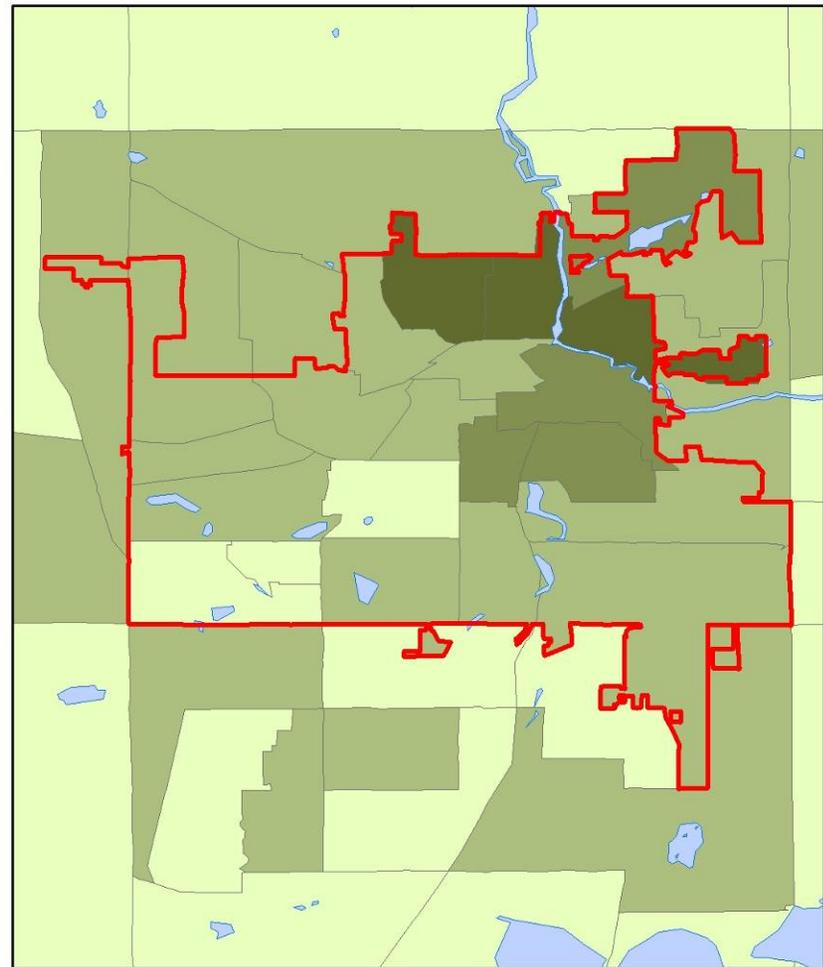
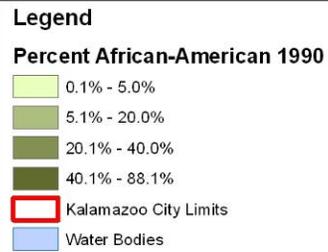
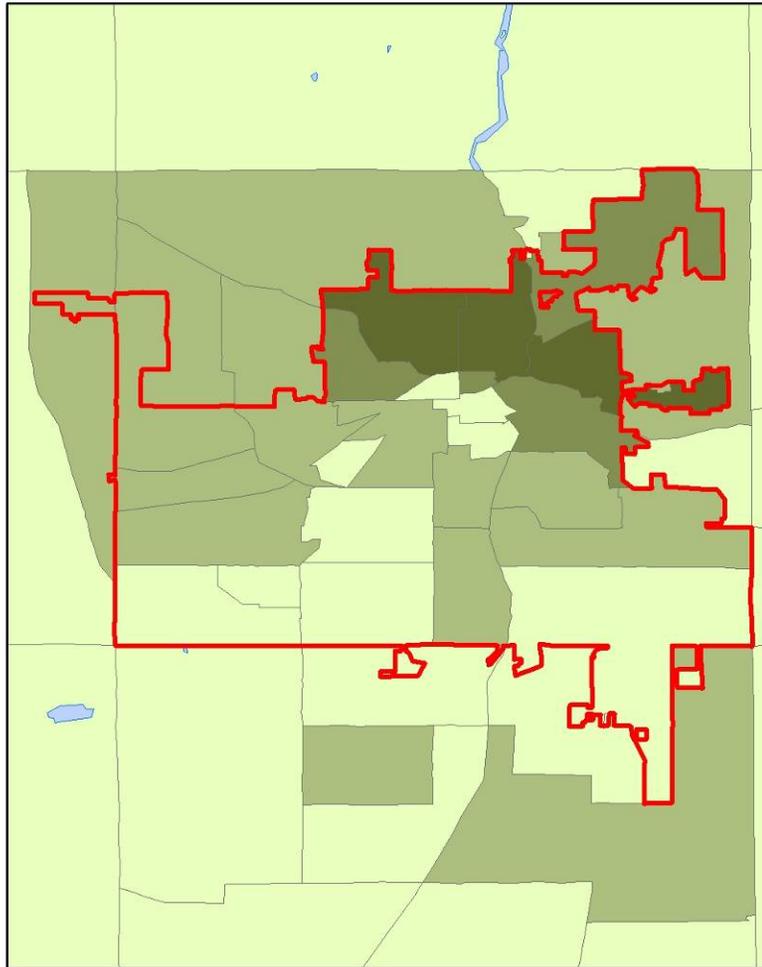
Table 1.1
Total population by race for Kalamazoo, 1990 and 2000

Race	1990		2000		1990-2000
	#	%	#	%	%Change
White	62,039	77.3%	54,593	70.8%	-12.0%
African-American	15,053	18.8%	15,924	20.6%	5.8%
American Indian, Eskimo, or Aleut	450	0.6%	445	0.6%	-1.1%
Asian or Pacific Islander	1,505	1.9%	1,897	2.5%	26.0%
Other race	1,230	1.5%	4,286	5.6%	248.5%
Total:	80,277	100.0%	77,145	100.0%	-3.9%
Ethnicity					
Hispanic origin	2,153	2.7%	3,304	4.3%	53.5%

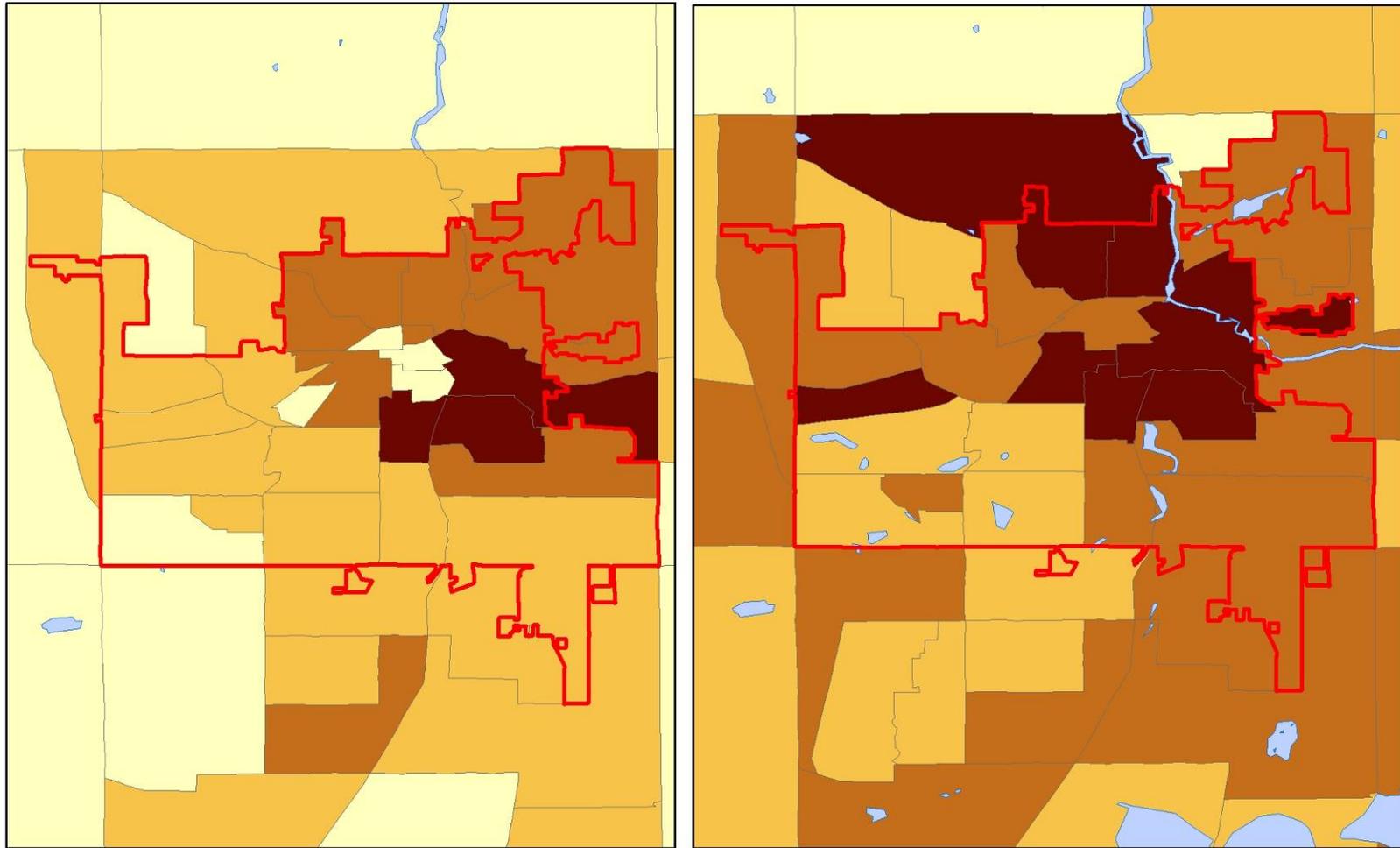
Source: US Census 1990 and 2000

The following pages include a series of Maps (1.2 - 1.5) that indicate spatial concentrations of the various racial and ethnic groups within Kalamazoo.

Map 1.2: Percent African-American 1990 and 2000



Map 1.3: Percent Hispanic 1990 and 2000



Legend

Percent Hispanic 1990

- 0.4% - 1.0%
- 1.1% - 2.0%
- 2.1% - 4.0%
- 4.1% - 6.4%

Kalamazoo City Limits

Water Bodies

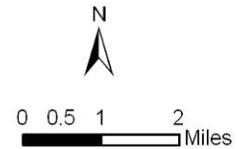
Legend

Percent Hispanic 2000

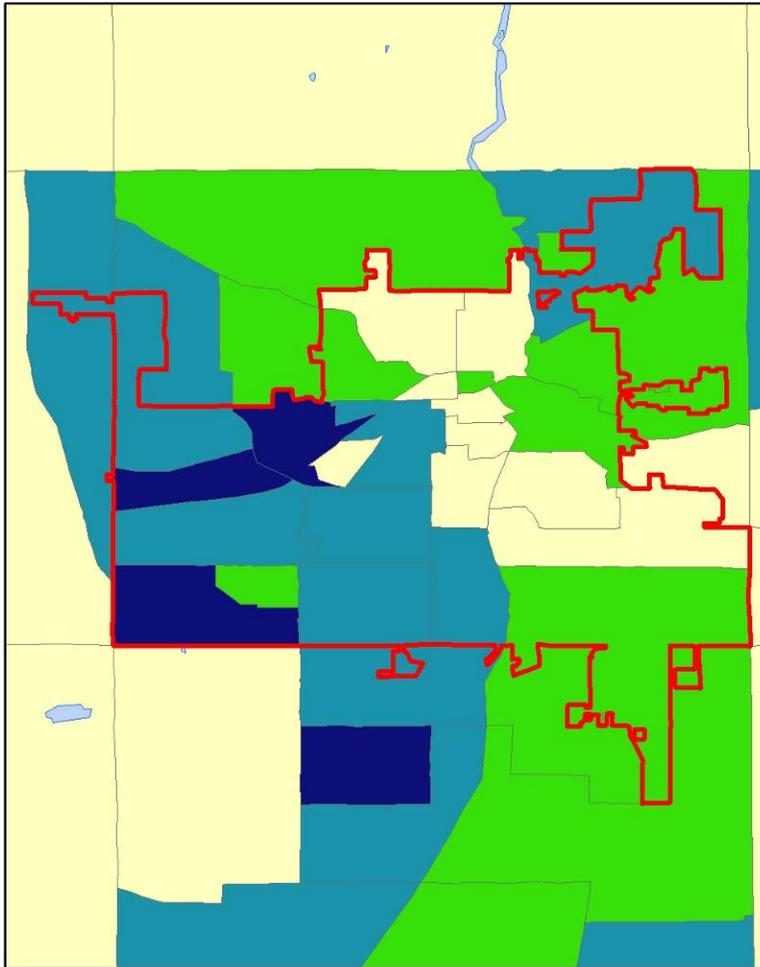
- 0.5% - 1.0%
- 1.1% - 2.0%
- 2.1% - 4.0%
- 4.1% - 14.0%

Water Bodies

Kalamazoo City Limits

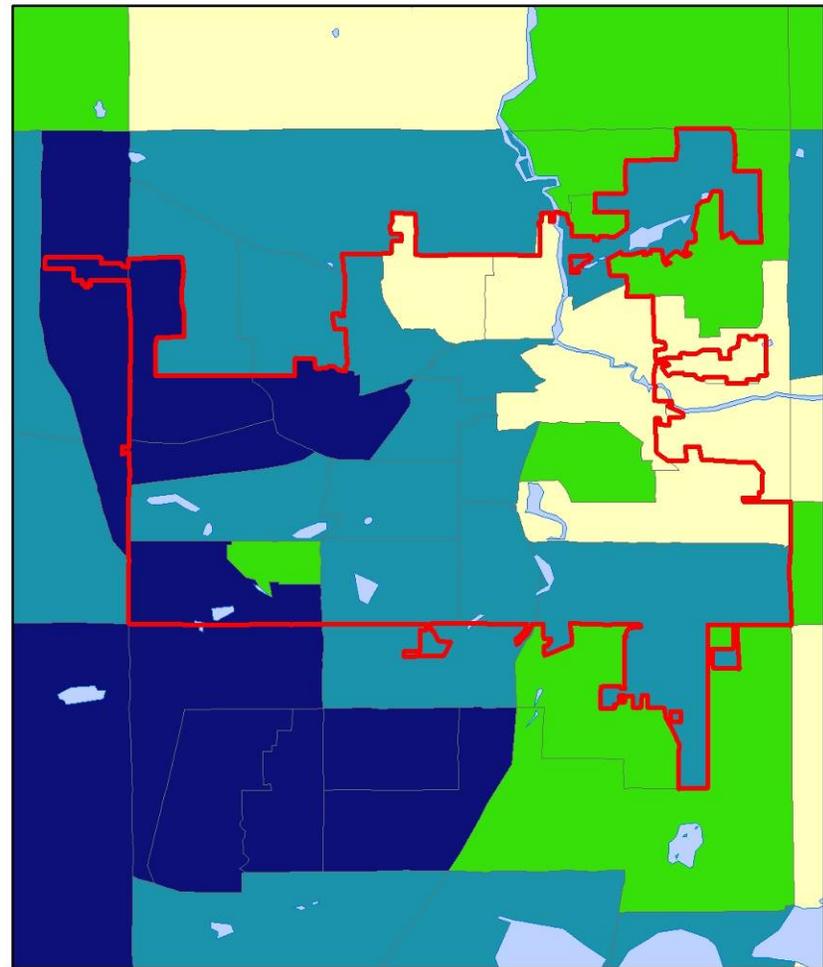


Map 1.4: Percent Asian and Pacific Islander 1990 and 2000



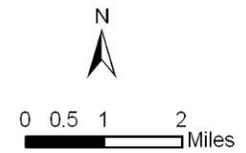
Legend
Percent Asian and Pacific Islander 1990

- 0.0% - 0.5%
- 0.6% - 1.0%
- 1.1% - 3.0%
- 3.1% - 8.0%
- Kalamazoo City Limits
- Water Bodies

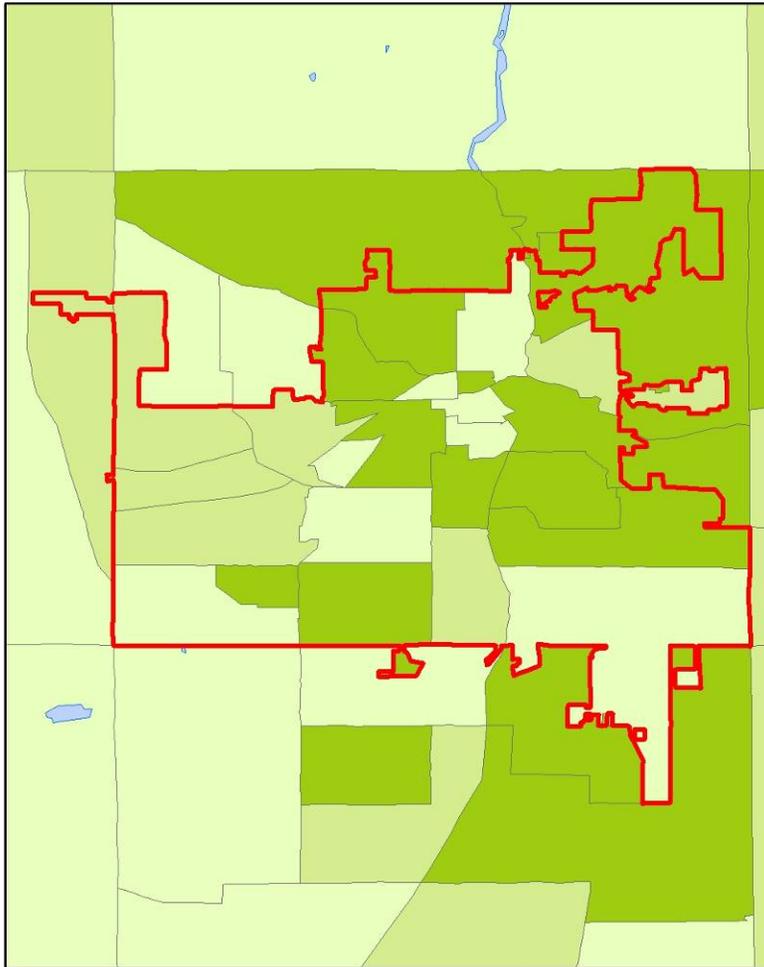


Legend
Percent Asian and Pacific Islander 2000

- 0.0% - 0.5%
- 0.6% - 1.0%
- 1.1% - 3.0%
- 3.1% - 8.8%
- Kalamazoo City Limits
- Water Bodies



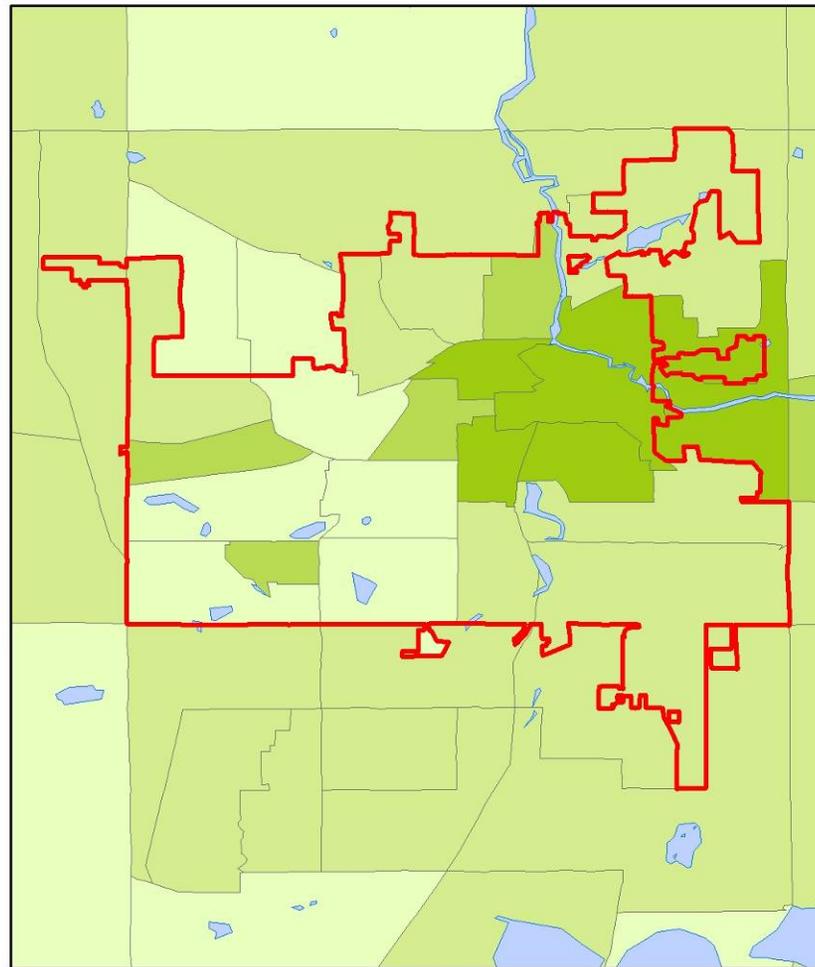
Map 1.5: Percent American Indian and Eskimo 1990 and 2000



Legend

Percent American Indian and Eskimo 1990

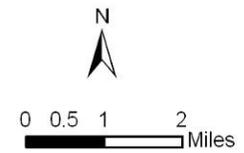
- 0.1% - 0.2%
- 0.3% - 0.5%
- 0.6% - 0.1%
- 0.2% - 2.3%
- Kalamazoo City Limits
- Water Bodies



Legend

Percent American Indian and Eskimo 2000

- 0.1% - 0.2%
- 0.3% - 0.5%
- 0.6% - 1.0%
- 1.1% - 1.8%
- Kalamazoo City Limits
- Water Bodies



In many communities, female-headed households and female-headed households with children face a high rate of housing discrimination. Incidents of discrimination among female headed households tend to increase even more for such households when headed by ethnic minorities. The percentage of female-headed households with children among White households was 5.3 percent, compared to 29.8 percent in African-American households, and 15.0 percent in Hispanic households.

Families with children and large family households face similar challenges in the rental housing market. When considering all family types with children present in Kalamazoo, 19.5 percent of White households, 43.0 percent of African-American households, and 48.7 percent of Hispanic households were in this category.

Non-family households made up 55.7 percent of all White households in Kalamazoo. Non-family households accounted for 34.2 percent of all African-American households and 30.5 percent of all Hispanic households. Table 1.2, below, shows the family structure of White, African-American, and Hispanic households in 2000.

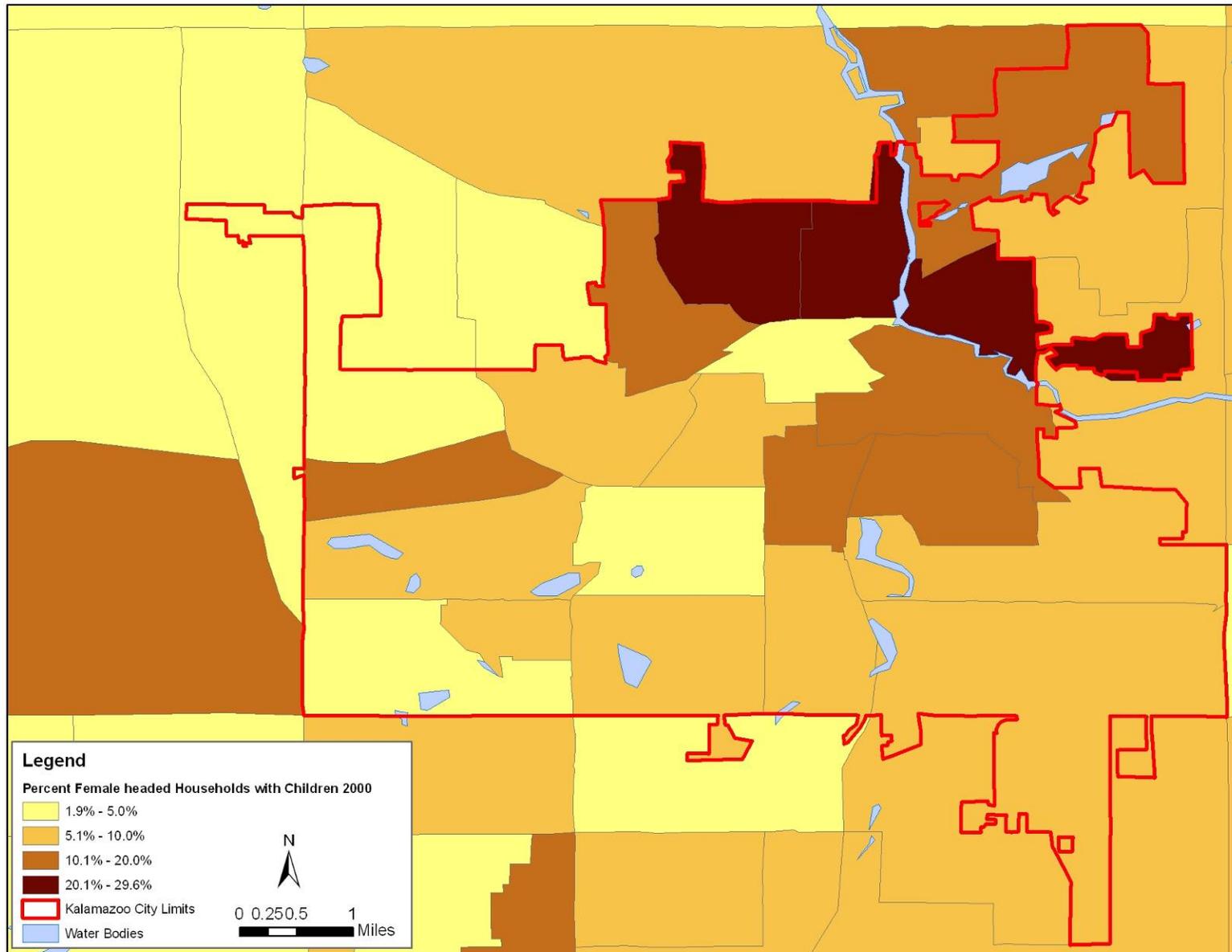
The spatial distribution of female-headed households with children is shown in Map 1.6, on the following page.

Table 1.2
Household structure by race for Kalamazoo, 2000

Family Type	White		African-American		Hispanic	
	#	%	#	%	#	%
Family households	9,648	44.3%	3,580	65.8%	556	69.5%
Married-couple family	7,182	33.0%	1,174	21.6%	308	38.5%
Married-couple family; With own children	2,798	12.8%	571	10.5%	221	27.6%
Married-couple family; No own children	4,384	20.1%	603	11.1%	87	10.9%
Not a married-couple family	2,466	11.3%	2,406	44.2%	248	31.0%
Male householder; no wife present	619	2.8%	273	5.0%	99	12.4%
Male householder; no wife present; With own children	298	1.4%	149	2.7%	49	6.1%
Male householder; no wife present; No own children	321	1.5%	124	2.3%	50	6.3%
Female householder; no husband present	1,847	8.5%	2,133	39.2%	149	18.6%
Female householder; no husband present; With own children	1,160	5.3%	1,621	29.8%	120	15.0%
Female householder; no husband present; No own children	687	3.2%	512	9.4%	29	3.6%
Non-family households	12,128	55.7%	1,864	34.2%	244	30.5%
Total	21,776	100.0%	5,444	100.0%	800	100.0%

Source: US Census 2000

Map 1.6: Percent Female-Headed Households with Children 2000



1.2. Income

Low-income households tend to be housed in less desirable housing stock and less desirable areas of the City. A lack of resources to pay housing expenses often prevents those households from moving to areas where local amenities raise the value of the housing. Income plays a very important part in securing and maintaining housing. Household Incomes for African Americans and Hispanics were disproportionately lower compared to that of White households based on the 2000 Census.

The data in Table 1.3 and Chart 1.1, on the following page, show the distribution of income across income classes among Whites, African-Americans, and Hispanics in Kalamazoo. Overall, the income distribution data show a higher proportion of low-income households within the African-American and Hispanic communities. This is significant in that, limitations on fair housing choice are more commonly found to affect housing decisions among low-income persons.

Chart 1.1 shows that the modal income class, the income class with the highest number of households, for Whites was in the \$50,000 to \$74,999 range, accounting for 17.4 percent of White households. This did not constitute a significant disparity between Whites and minority households in the \$50,000 to \$74,999 income range, with approximately 13.3 percent of African-American households and 16.9 percent of Hispanic households reporting incomes in this range. However, the most frequently reported income for African-American and Hispanic households was the less than \$10,000 range, with 23.8 percent of African-American households and 20.3 percent of Hispanic households earning this range. In comparison, only 12 percent of White households reported incomes in the less than \$10,000 range.

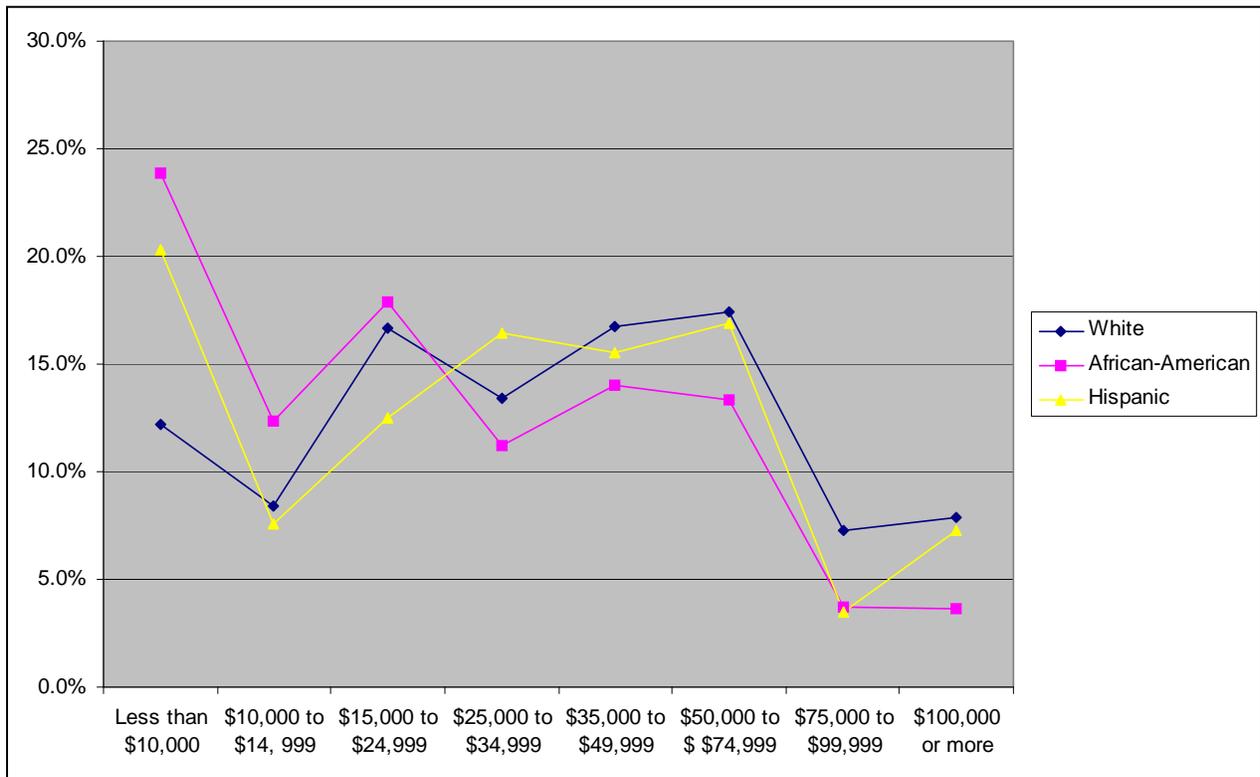
The median household income in Kalamazoo was reported as \$31,189 in 2000. The median household income for Whites was slightly higher than the citywide median at \$34,344. The median incomes for African American and Hispanic households were lower than the citywide median at \$21,726 and \$30,625, respectively. Map 1.7, on page 12, shows the median household income by census tract.

Table 1.3
Households by race by income for Kalamazoo, 2000

Income class	White		African-American		Hispanic	
	# of Households	% of Households	# of Households	% of Households	# of Households	% of Households
Less than \$10,000	2,637	12.2%	1,282	23.8%	156	20.3%
\$10,000 to \$14,999	1,820	8.4%	665	12.4%	58	7.6%
\$15,000 to \$24,999	3,602	16.7%	961	17.9%	96	12.5%
\$25,000 to \$34,999	2,900	13.4%	603	11.2%	126	16.4%
\$35,000 to \$49,999	3,625	16.8%	753	14.0%	119	15.5%
\$50,000 to \$74,999	3,768	17.4%	717	13.3%	130	16.9%
\$75,000 to \$99,999	1,574	7.3%	200	3.7%	27	3.5%
\$100,000 or more	1,697	7.8%	197	3.7%	56	7.3%
Total:	21,623	100.0%	5,378	100.0%	768	100.0%

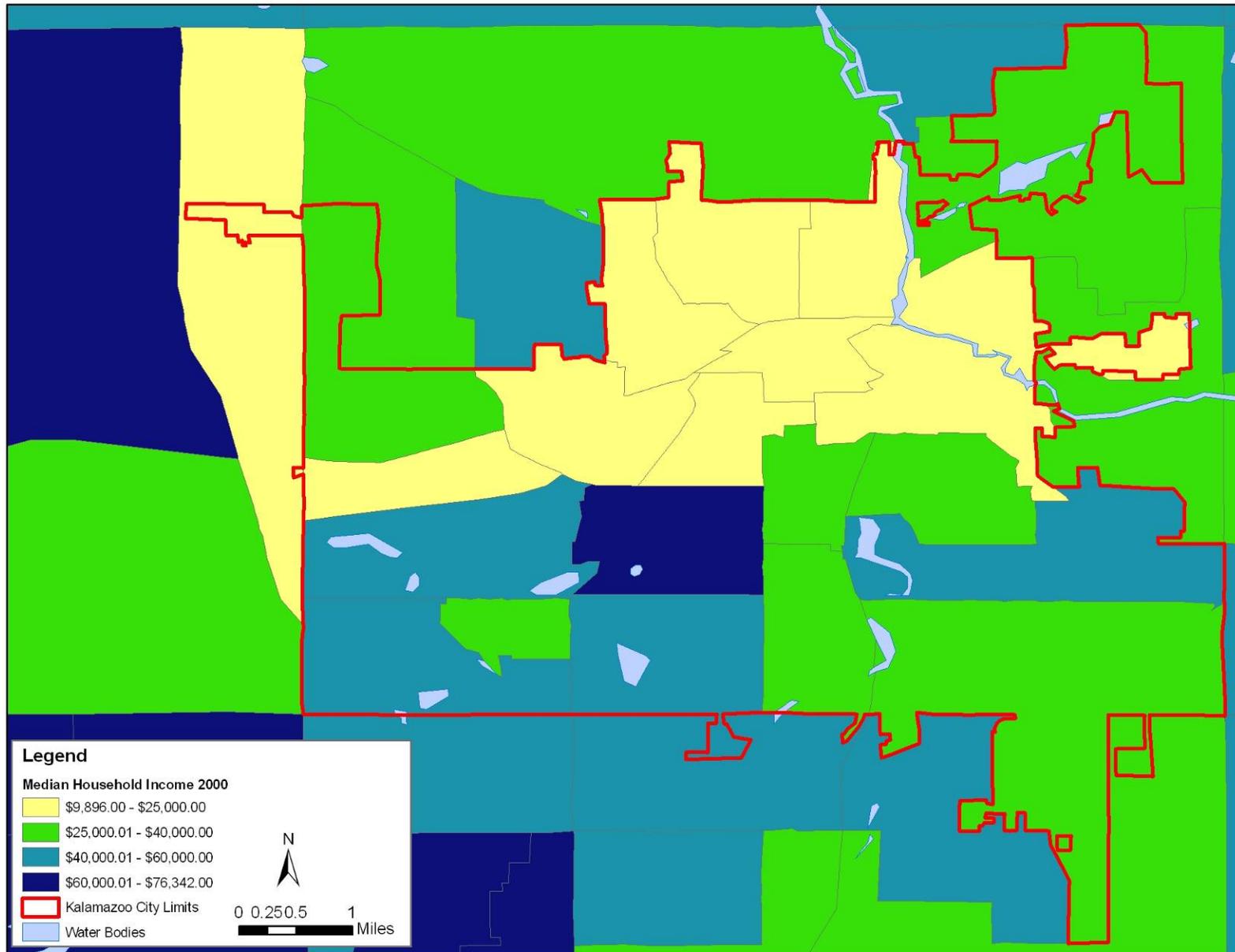
Source: US Census 2000

Chart 1.1: Percent of Households by income class by race for Kalamazoo, 2000



Source: US Census 2000

Map 1.7: Median Household Income 2000



Poverty also negatively impacts fair housing choice. The poverty data in Table 1.4 shows the highest incidences of poverty concentrated in the African-American and Hispanic communities. The incidence of poverty among African-Americans was reported to be 32.5 percent compared to 29.5 percent among Hispanics, and 20.1 percent among White persons in 2000. As a comparison, the overall poverty rate for the city was 24.3 percent.

Table 1.4
Poverty Status by race Kalamazoo, 2000

Age Group	White		African-American		Hispanic	
	Number in Poverty	% in Poverty	Number in Poverty	% in Poverty	Number in Poverty	% in Poverty
Under 5 years	314	13.8%	632	43.1%	77	20.7%
5 years	49	9.6%	157	57.5%	30	33.3%
6 to 11 years	389	16.4%	888	46.7%	107	28.8%
12 to 17 years	276	12.7%	447	28.0%	130	28.1%
18 to 64 years	7,720	23.5%	2,288	28.5%	601	31.9%
65 to 74 years	288	10.0%	88	15.7%	5	14.3%
75 years and over	323	9.5%	78	31.0%	0	0.0%
Total	9,359	20.1%	4,578	32.5%	950	29.5%

Source: US Census 2000

1.3. Employment

Employment opportunities in the area and educational levels of the employees have a significant impact on housing affordability and the location choice of residents. Table 1.5, on page 14, provides a look at occupation data, which indicate that there has been some shift in the distribution of occupations between 1990 and 2000. Arts, entertainment, recreation, accommodation, and food services had the largest increase, at 11.2 percentage points to 13.0 percent. Educational, health, and social services had an increase, up 1.3 percentage points to 27.8 percent. Retail trade sector realized the largest reduction to 11.9 percent of the workforce, a decrease of 8.8 percentage points. There was also a reduction in the other professional services of 2.7 percentage points, to 4.6 percent of the total workforce.

Table 1.5
Occupation of employed persons for Kalamazoo, 1990 & 2000

Occupation	1990	2000	Percent Point Change
Agriculture, forestry, fishing and hunting, and mining	1.4%	0.7%	-0.7%
Construction	3.0%	4.1%	1.1%
Manufacturing	17.6%	15.6%	-2.0%
Wholesale trade	2.8%	2.3%	-0.5%
Retail trade	20.7%	11.9%	-8.8%
Transportation, information, warehousing, and utilities	4.1%	2.8%	-1.3%
Finance, insurance, real estate and rental and leasing	5.3%	5.6%	0.3%
Professional, scientific, management, administrative services	7.2%	9.7%	2.5%
Educational, health and social services:	26.5%	27.8%	1.3%
Arts, entertainment, recreation, accommodation and food services	1.8%	13.0%	11.2%
Other services (except public administration)	7.3%	4.6%	-2.7%
Public administration	2.3%	2.0%	-0.3%

Source: US Census 1990 & 2000

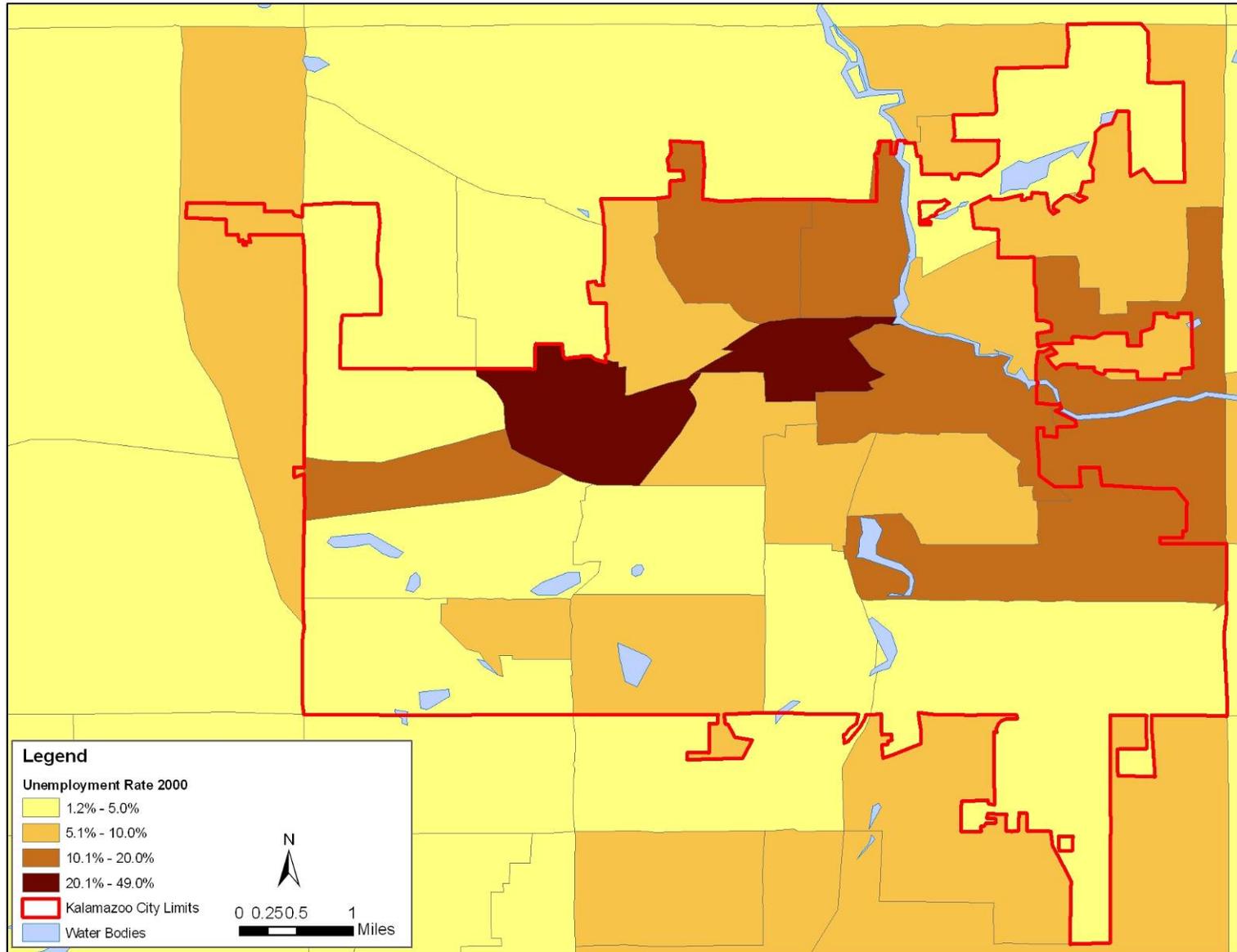
The data presented in Table 1.6, provide a portrait of the distribution of the unemployed population. A closer look at the distribution of unemployment indicates that the highest unemployment rates were reported among African-American households. In the 2000 Census, 11.8 percent of White persons age 16 and over reported being unemployed. African-Americans persons in the same age group reported a 14.8 percent unemployment rate and Hispanics reported an 8.8 percent rate. The US Census shows that the unemployment rate was 12.4 percent for the overall city in 2000. According to the Bureau of Labor Statistics, the unemployment rate for the Kalamazoo-Portage Metropolitan Statistical Area increased from 5.4 percent in September 2007 to 7.2 percent in September 2008. Map 1.8 shows the distribution of the unemployed population in Kalamazoo.

Table 1.6
Employment Status by race for Kalamazoo, 2000

Employment Status	White		African-American		Hispanic	
	#	%	#	%	#	%
In labor force:	31,708		6,688		1,508	
In Armed Forces	34	0.1%	11	0.2%	0	0.0%
Civilian:	31,674		6,677		1,508	
Employed	27,943	88.1%	5,685	85.0%	1,375	91.2%
Unemployed	3,731	11.8%	992	14.8%	133	8.8%
Not in labor force	14,995		3,601		693	
Total:	46,703		10,289		2,201	

Source: US Census 2000

Map 1.8: Unemployment Rate 2000



According to the data provided by the Kalamazoo Regional Chamber of Commerce, updated in April 2007, the major employers in the city include Western Michigan University with 4,606 employees, Borgess Medical Center with 4,475 workers, Pfizer with 4,000 workers, Bronson Methodist Hospital with 3,573 employees, Stryker Medical Technology with 2,500 workers, Kalamazoo Public Schools with 2,300 employees, National City Bank with 1,600 employees, Meijer, Inc. with 1,594 workers, Summit Polymers with 1,097 employees, and the County of Kalamazoo with 1,065 employees.

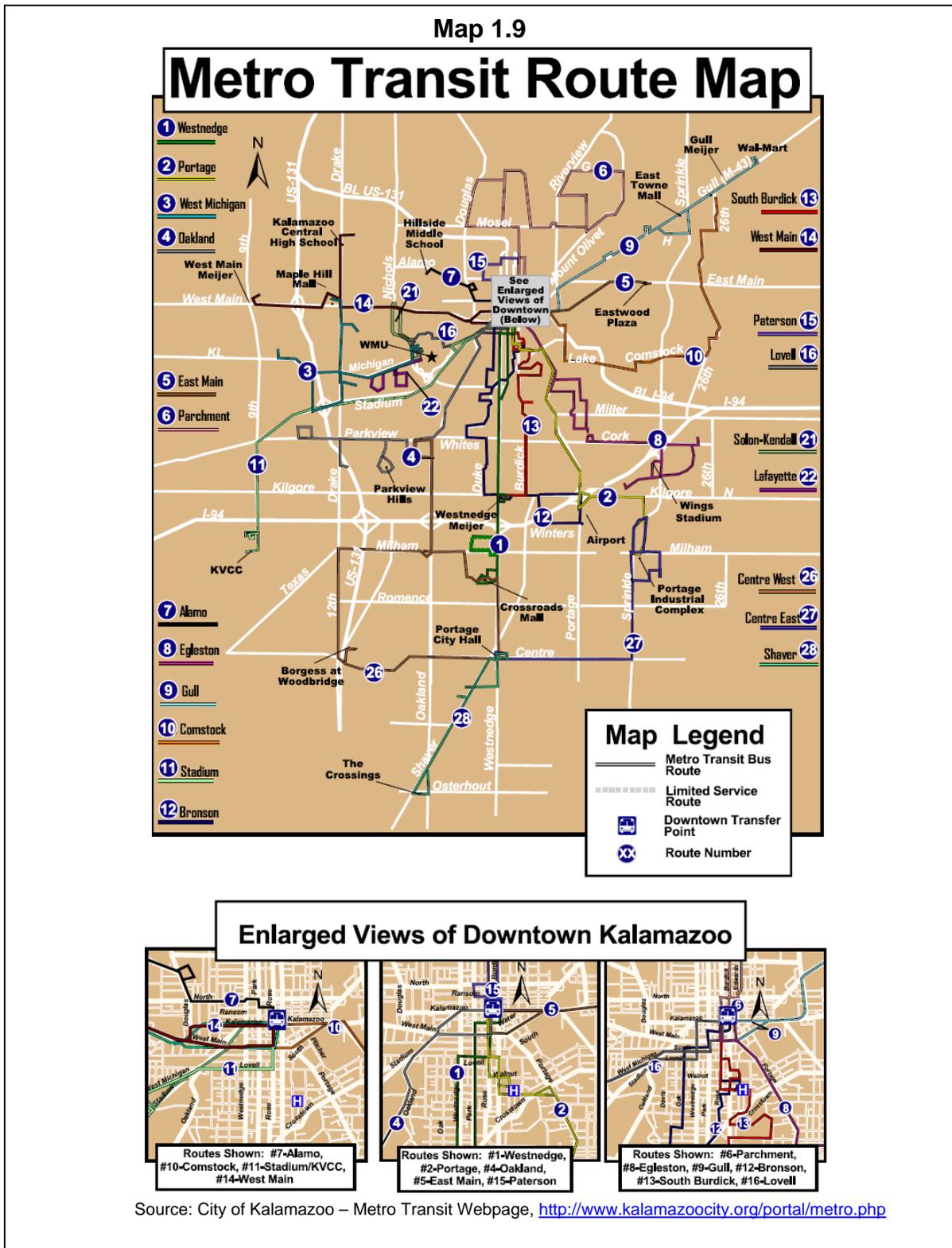
In Kalamazoo, the differences in the income among the three races may, to some extent, be attributed to limitations due to educational attainment. According to the 2000 Census, 47.2 percent of Hispanics age 25 and above reported less than a high school education compared to 16.9 percent of African-Americans and 11.6 percent for Whites in the same age group. As a comparison, the percentage of population with less than a high school education in the city was 15.8 percent in 2000.

The availability of jobs for low-income persons can be largely dependent on the geographic location of the jobs and transportation and mobility. If jobs are concentrated in areas far removed from lower income persons, or areas poorly served by public transportation, their ability to get to and from work may be restricted, sometimes causing hardships on employees or potential employees. To examine this issue, we reviewed public transportation and its ability to accommodate the community's mobility needs.

1.4. Public Transportation

Metro Transit provides fixed-route public transit service to the Kalamazoo urbanized area consisting of the cities of Kalamazoo, Portage, and Parchment, and the townships of Comstock, Cooper, Kalamazoo, Texas, and Oshtemo. Metro Transit buses operate during the peak hours, non-peak hours, and Saturdays from 6 am to 10:15 pm. Buses do not run on Sunday. In addition Metro Transit also provides Metro Van curb-to-curb paratransit service. The fares are \$1.35 for adults, \$1.20 for

children and low-income persons, and \$0.65 for senior and disabled persons. Map 1.9, below, illustrates the bus routes in the city.



1.5. Housing

According to the Census estimates, Kalamazoo had 29,413 housing units in 2000 and 31,488 housing units in 1990. The total number of housing units in the City had decreased by 6.6 percent between 1990 and 2000. According to the American Community Survey estimates, the total number of housing units in the city increased to 30,597 in 2007 (with a margin of error of +/-1,871). Of the total number of housing units in 2000, 47.7 percent were owner-occupied, 52.3 percent were renter-occupied, and the remaining 8.1 percent were vacant. The vacancy rate in the city increased by 1.5 percentage points between 1990 and 2000. The homeownership rate marginally increased from 47.4 percent in 1990 to 47.7 percent in 2000, a 0.3 percentage point increase.

According to the 2000 Census data, the median home value for the single-family houses in the city was \$80,700 and the median contract rent was \$476 in 2000.

Table 1.8, shows that of all housing units, 50.1 percent were categorized as single-family detached, 2.9 percent as single-family attached, 14.1 percent contained two to four units, 30.3 percent as multifamily, and 2.5 percent as mobile home or other.

Table 1.9 shows the age of the housing units as reported by the 2000 census. Forty percent of all housing units were built prior to 1950, 15.6 percent were built between 1950 and 1959, 13.7 percent were

Table 1.7
Tenure for housing in Kalamazoo, 1990 and 2000

Housing Units	1990		2000	
	#	%	#	%
Owner-occupied	13,928	44.2%	14,027	47.7%
Renter-occupied	15,481	49.2%	15,386	52.3%
Vacant	2,079	6.6%	2,385	8.1%
Total:	31,488	100.0%	29,413	100.0%

Source: US Census 1990 and 2000

Table 1.8
Housing type for Kalamazoo, 2000

Units in Structure	Number*	Percent
Single-Family detached	15,938	50.1%
Single-Family attached	933	2.9%
2-4 units	4,489	14.1%
Multifamily	9,630	30.3%
Mobile home or Other	792	2.5%
Total	31,782	100.0%

Source: US Census 2000 (*Sample Data)

Table 1.9
Age of Housing Stock in Kalamazoo, 2000

Year Built	Number	Percent
Pre 1939	9,182	28.9%
1940 to 1949	3,523	11.1%
1950 to 1959	4,950	15.6%
1960 to 1969	4,345	13.7%
1970 to 1979	4,874	15.3%
1980 to 1989	2,931	9.2%
1990 to 1994	965	3.0%
1995 to 1998	814	2.6%
1999 to March 2000	198	0.6%
Total:	31,782	100.0%

Source: US Census 2000 (*Sample Data)

built between 1960 and 1969, 15.3 percent were built between 1970 and 1979, and 15.4 percent were built after 1979. About 85 percent of the housing stock is more than 30 years old, built prior to 1978. These units may contain lead-based paint and are more likely to be in need of repairs and maintenance.

Table 1.10
Tenure by Race in Kalamazoo, 2000

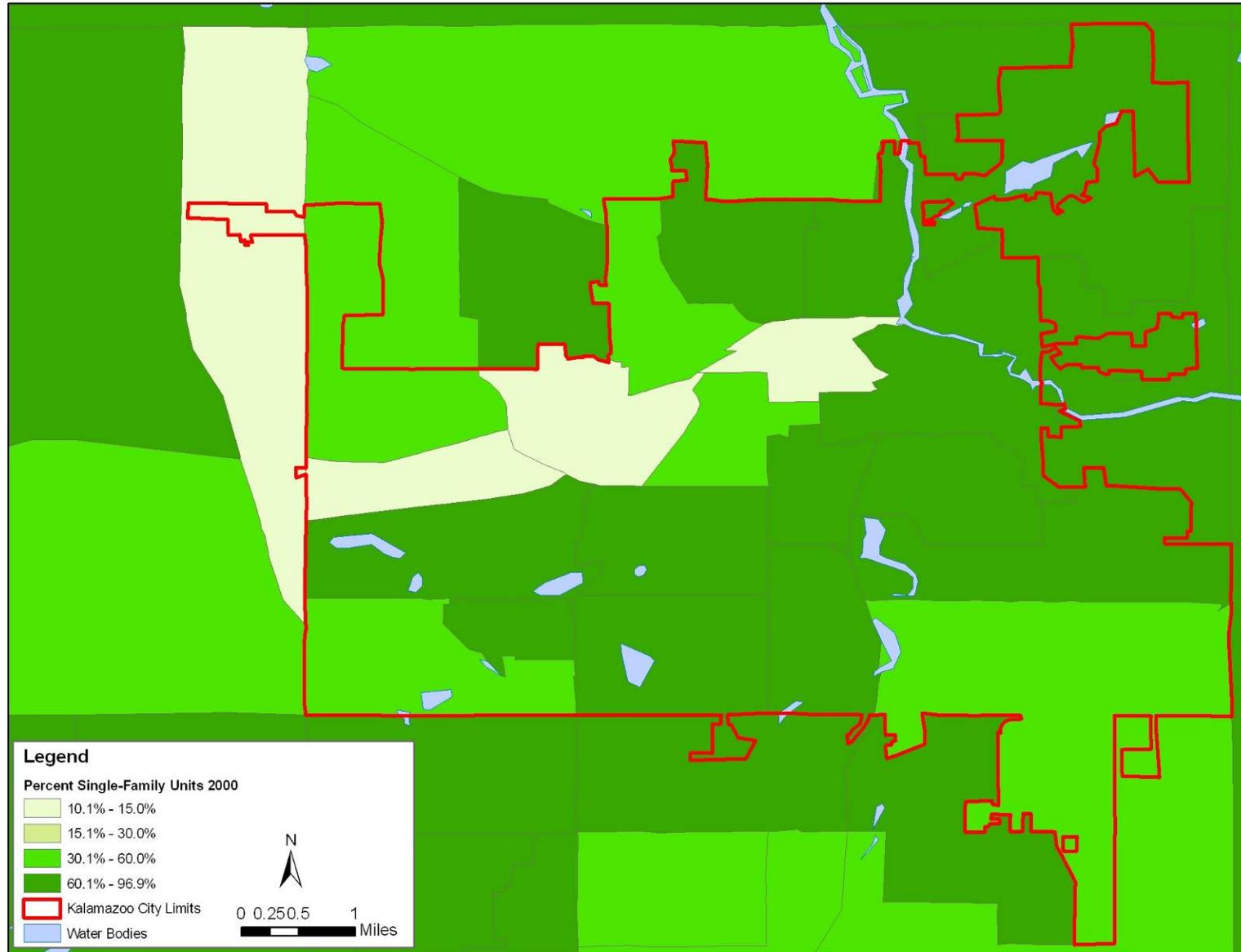
As shown in Table 1.10, homeownership rate among Whites was 52.7 percent, compared to 34.4 percent among African-Americans, and 42.7 percent among Hispanics.

Tenure by Race	Owner-occupied		Renter-occupied	
	#	%	#	%
White	11,468	52.7%	10,289	47.3%
African-American	1,844	34.4%	3,512	65.6%
Hispanic	323	42.7%	434	57.3%

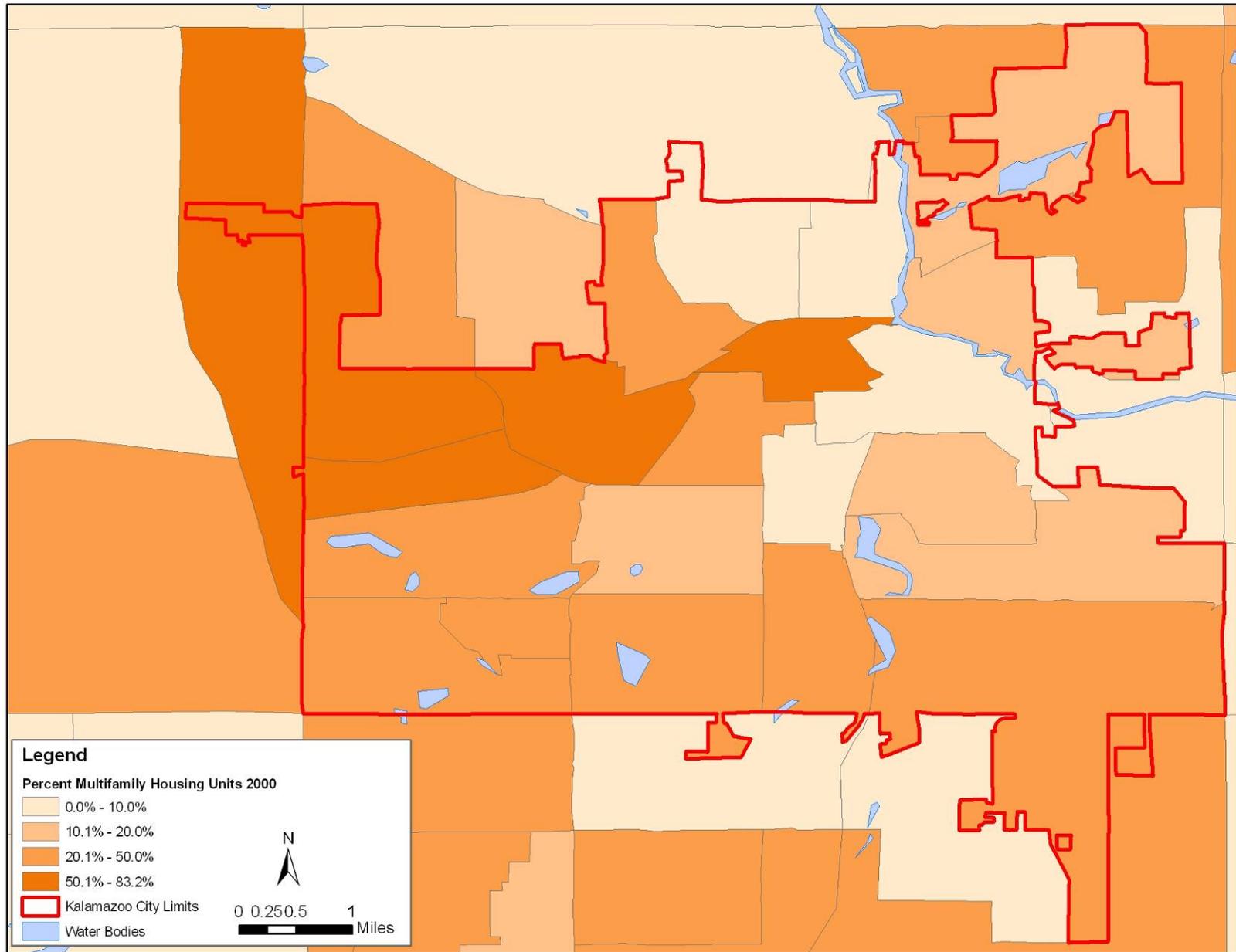
Source: US Census 2000 (*Sample Data)

Maps 1.10 on page 20 and Map 1.11, on page 21, indicate the distribution of single-family and multifamily housing across the city. Map 1.12, on page 22, provides a geographic representation of the distribution of the oldest housing stock in the city. Maps 1.13 and 1.14, on pages 23 and 24, provide a geographic depiction of the distribution of rents and housing values across the city.

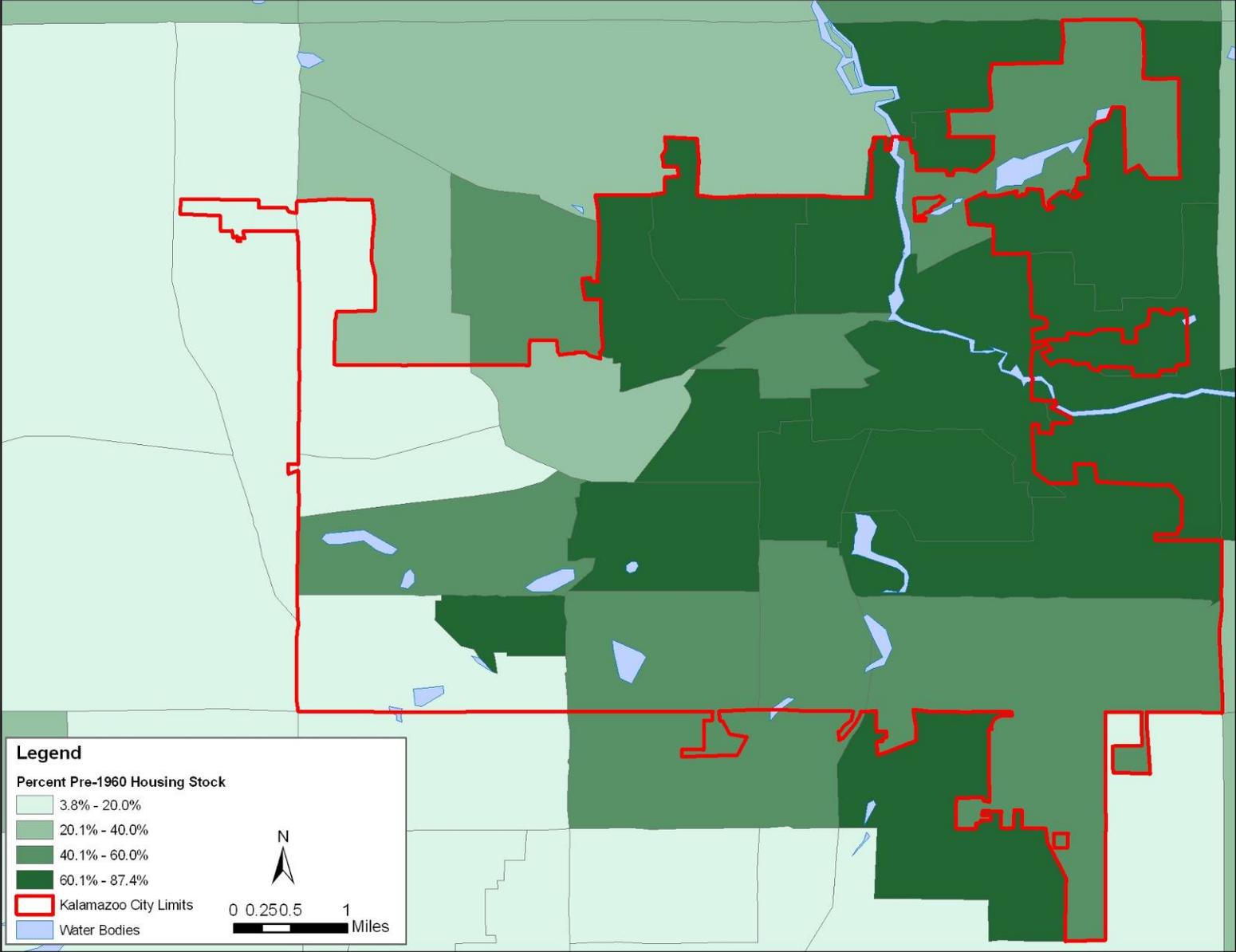
Map 1.10: Percent Single-Family Housing Units 2000



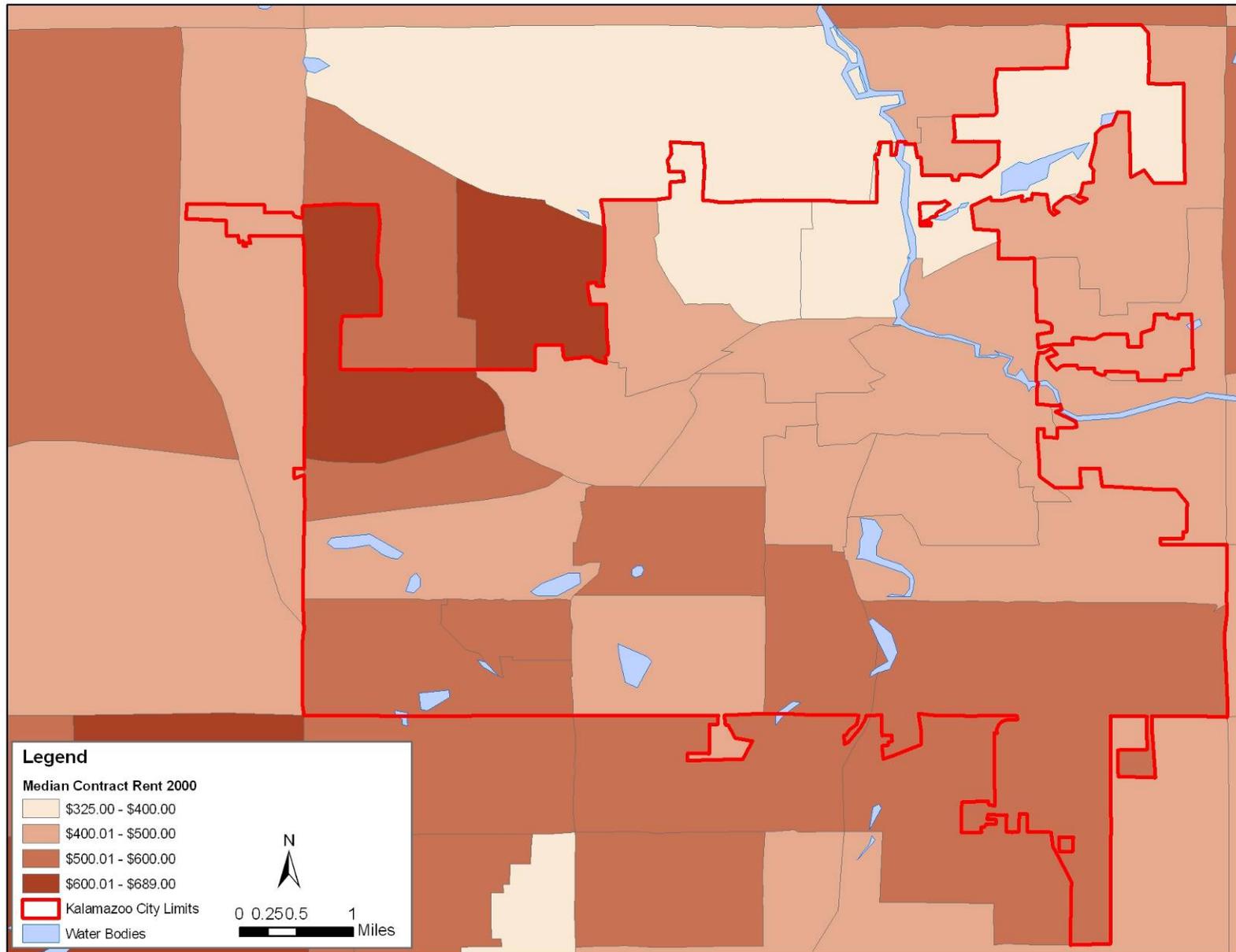
Map 1.11: Percent Multifamily Housing Units 2000



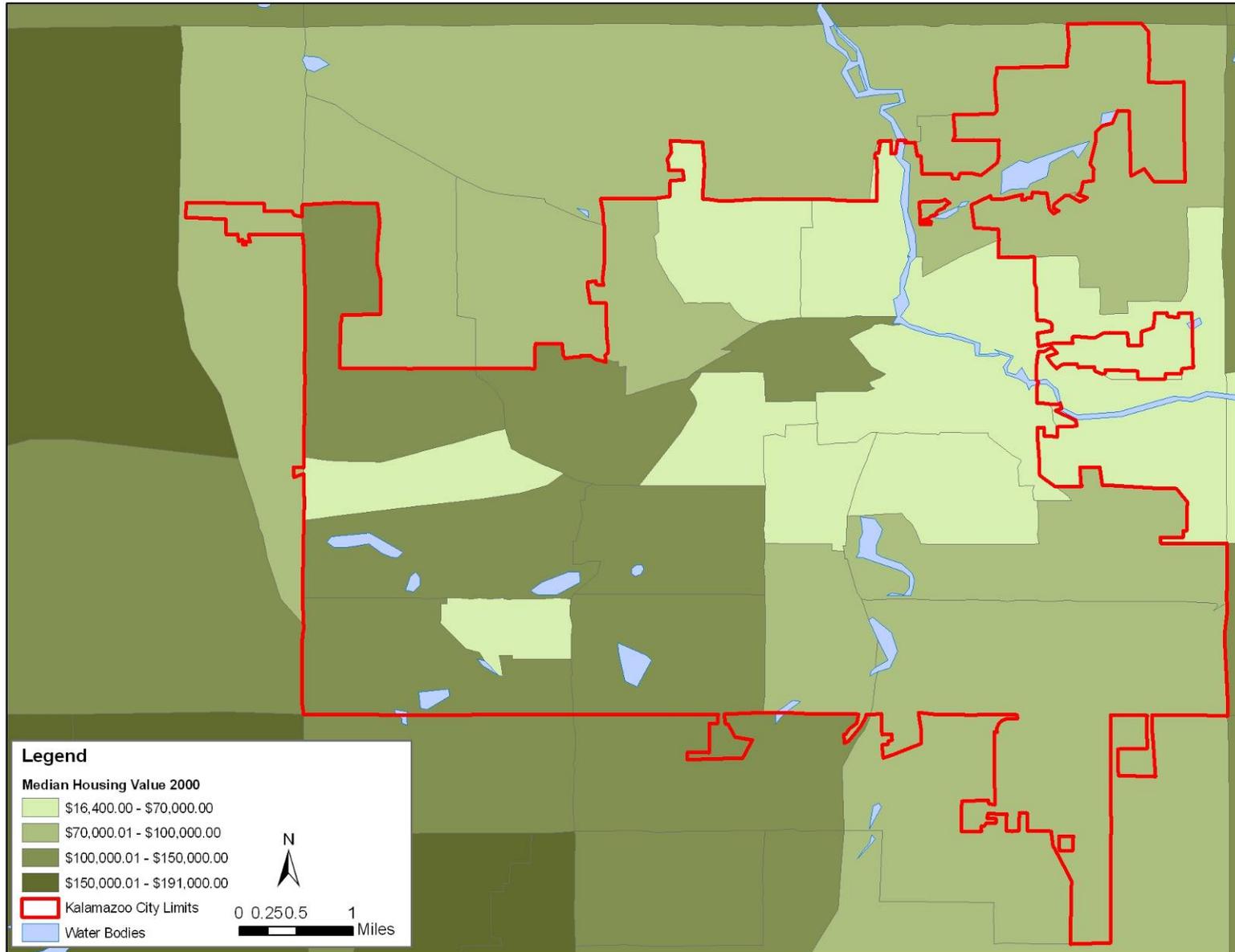
Map 1.12: Percent Pre 1960 Housing Stock



Map 1.13: Median Contract Rent 2000



Map 1.14: Median Housing Value 2000



Perhaps the most disconcerting statistic relative to housing choice was that of the percentage of household income necessary to secure housing and the significant cost burden experienced by households at all income levels. Data contained in the Comprehensive Housing Affordability Strategy (CHAS) Table for the year 2000, duplicated in Table 1.11 indicates that the impact of housing costs on household incomes is very severe on low- and very low-income households. The table shows that 75.9 percent of all very low-income renters, those earning between 0 percent and 30 percent of the median family income, and 77.5 percent of very low-income homeowner households paid more than 30 percent of their income on housing expenses. Furthermore, 61.0 percent of very low-income renters and 64.5 percent of very low-income homeowners were more than 50 percent cost-burdened in 2000.

Looking at the “Other Low-Income” households, those earning between 31 percent and 50 percent of the median family income, 61.3 percent of low-income renters and 49.8 percent of low-income homeowners paid more than 30 percent on housing expenses in 2000. Also, 18.4 percent of renters and 18.7 percent of homeowners paid more than 50 percent on housing expenses.

In 2000, the moderate-income category, comprised of those earning between 51 percent and 80 percent of the median family income, shows 28.1 percent of renters and 25.2 percent of homeowners had rent burdens in excess of 30 percent, and 4.1 percent of renters and 4.0 percent of homeowners paid more than 50 percent on housing expenses. These cost burdens impact fair housing choices and represent significant impediments in that they impact persons at every income category.

Overall, minorities and African Americans in particular, face a number of demographic concerns that typically impact housing choice and affordability negatively. One of the most revealing indicators that minorities lag far behind Whites in obtaining housing of their choice is in the category of homeownership. The homeownership rate among Whites was 52.7 percent, 18.3 percent higher than African Americans at 34.4 percent and 10 percent higher than that of Hispanics, reporting a homeownership rate of 42.7 percent in 2000.

Table 1.11
Cost Burden by income and tenure, 2000

Very Low-Income (Household income <=30% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	50.7	31.4
Small Related	81.4	59.4
Large Related	89.3	62.5
Other	79.5	69.4
Total Renters	75.9	61.0
Owners		
Elderly	68.8	47.3
Small Related	83.3	70.4
Large Related	47.1	47.1
Other	89.8	82.8
Total Owners	77.5	64.5
Total Households	76.2	61.7

Other Low-Income (Household income >30 to <=50% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	54.4	14.7
Small Related	53.7	15.8
Large Related	61.1	0.0
Other	67.2	22.7
Total Renters	61.3	18.4
Owners		
Elderly	28.4	13.1
Small Related	67.8	23.7
Large Related	60.6	12.1
Other	68.3	28.8
Total Owners	49.8	18.7
Total Households	58.1	18.5

Moderate Income (Household income >50% to <=80% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	46.8	16.0
Small Related	16.6	0.0
Large Related	29.3	19.2
Other	28.8	2.5
Total Renters	28.1	4.1
Owners		
Elderly	11.3	0.6
Small Related	34.6	5.9
Large Related	20.8	0
Other	32.0	7.8
Total Owners	25.2	4
Total Households	26.8	4.1

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Tables, 2000

Section 2: Fair Housing Law, Municipal Policies, and Complaint Analysis

Overview

This section examines current polices and laws that affect fair housing choice. This analysis entails a review of state and local laws, regulations, administrative policies, procedures, and practices and assesses whether any of these impede the location, availability, affordability, and accessibility of housing.

Introduction

Impediments to fair housing choice may be acts that violate a law or acts or conditions that do not violate a law, but preclude people with varying incomes from having equal access to decent, safe, and affordable housing. Fair housing choice is defined, in part, as the ability of people with similar incomes to have similar access to housing.

The first part of this section will address the existing statutory and case law that works to remove impediments and promote fair housing choice. The federal fair housing law can be effective in mitigating barriers to fair housing choice, depending upon enforcement efforts. Related laws and case law that provide further interpretation, understanding, and support to the Fair Housing Act will also be discussed. The Michigan Fair Housing Act was reviewed and compared to the federal fair housing law to determine whether it offered similar rights, remedies, and enforcement to the federal law and might be construed as being substantially equivalent. Pertinent related laws, such as the Community Reinvestment Act and Home Mortgage Disclosure Act, were analyzed to determine their effectiveness in facilitating fair lending. Various judicial case decisions pertaining to fair housing issues were reviewed and are incorporated in the discussion below.

The second section discusses the level of enforcement activity in the municipality. The City of Kalamazoo has not enacted a local fair housing ordinance and does not have a local office to investigate fair housing complaints. However the city provides funding to the Fair Housing Center of Southwest Michigan, a local HUD funded Fair Housing Assistance Provider (FHAP). The Fair Housing Center provides outreach, education, testing and investigation locally. The City of Kalamazoo's Fair Housing Officer (FHO) receives complaints regarding fair housing issues and refers them to HUD Regional Office in Chicago for official assignment and investigation.

The more difficult, but intertwined, aspect of fair housing choice is the availability of affordable housing. Adequate, decent, safe, and affordable housing for people of varying incomes should be available. Minimizing housing costs for very low- and low-income households usually requires some form of subsidy that is, oftentimes, generated utilizing federal, state, and/or local government dollars. The City of Kalamazoo operates HUD funded entitlement grant programs designed to rehabilitate and produce affordable housing, and to provide rental and homebuyer assistance. These efforts are detailed in the third section.

Regulatory and public policies are reviewed in the fourth section. Numerous documents were collected and analyzed to complete these sections. The key documents were the Consolidated Plan, prepared by the City of Kalamazoo, the community profile section of this impediment analysis, the City's zoning ordinances, and documentation on various housing programs and projects, including new initiatives offered by the City of Kalamazoo.

An analysis of fair housing complaints is covered in the fifth section. The Fair Housing Act, as amended in 1988, makes it unlawful to discriminate on the basis of race, color, religion, national origin, disability or familial status. Therefore, complaints can be filed under any of these bases.

The last section contains conclusions about fair housing barriers based on the existing law, enforcement efforts, complaint analysis, and availability of affordable housing.

2.1. Fair Housing Law

The Federal Fair Housing Act (the Act) was enacted in 1968, and amended in 1974 and 1988 to add protected classes, provide additional remedies, and strengthen enforcement. The Act, as amended, makes it unlawful for a person to discriminate on the basis of race, color, sex, religion, national origin, handicap, or familial status. Generally, the Act prohibits discrimination based on one of the previously mentioned protected classes in all residential housing, residential sales, advertising, and residential lending and insurance related transactions. Prohibited activities under the Act, as well as examples, are listed below.

It is illegal to do the following based on a person's membership in a protected class:

- Misrepresent that a house or apartment is unavailable by:
 - ✓ Providing false or misleading information about a housing opportunity,
 - ✓ Discouraging a protected class member from applying for a rental unit or making an offer of sale, or
 - ✓ Discouraging or refusing to allow a protected class member to inspect available units;
- Refuse to rent or sell or to negotiate for the rental or sale of a house or apartment or otherwise make unavailable by:
 - ✓ Failing to effectively communicate or process an offer for the sale or rental of a home,
 - ✓ Utilizing all non-minority persons to represent a tenant association in reviewing applications from protected class members, or
 - ✓ Advising prospective renters or buyers that they would not meld with the existing residents;

- Discriminate in the terms, conditions, or facilities for the rental or sale of housing by:
 - ✓ Using different provisions in leases or contracts for sale,
 - ✓ Imposing slower or inferior quality maintenance and repair services,
 - ✓ Requiring a security deposit (or higher security deposit) of protected class members, but not for non-class members,
 - ✓ Assigning persons to a specific floor or section of a building, development, or neighborhood, or
 - ✓ Evicting minorities, but not Whites, for late payments or poor credit;
- Make, print, publish, or post (direct or implied) statements or advertisements that housing is not available to members of a protected class;
- Persuade or attempt to persuade people, for profit, to rent or sell their housing due to minority groups moving into the neighborhood by:
 - ✓ Real estate agents mailing notices to homeowners in changing area with a listing of the homes recently sold along with a picture of a Black real estate agent as the successful seller, or
 - ✓ Mailed or telephonic notices that the "neighborhood is changing" and now is a good time to sell, or noting the effect of the changing demographics on property values;
- Deny or make different loan terms for residential loans due to membership in a protected class by:
 - ✓ Using different procedures or criteria to evaluate credit worthiness,
 - ✓ Purchasing or pooling loans so that loans in minority areas are excluded,
 - ✓ Implementing a policy that has the effect of excluding a minority area, or
 - ✓ Applying different procedures (negative impact) for foreclosures on protected class members;
- Deny persons the use of real estate services;
- Intimidate, coerce or interfere; or
- Retaliate against a person for filing a fair housing complaint.

In addition to prohibiting certain discriminatory practices, the Act places no limit on the amount of recovery and imposes substantial fines. The fine for the first offense can be up to \$10,000; the second offense, up to \$25,000; and the third offense, up to \$50,000.

The Michigan Housing Act includes a similar list of unfair housing practices, unfair housing practices by financial institutions, prohibition on blockbusting, retaliation, coercion, interference, or obstruction.

The City of Kalamazoo has not enacted a local fair housing ordinance. The City's FHO receives complaints and refers the complaints to HUD.

Fair Housing Act and Advertising

It is unlawful to make, print, publish, or post (direct or implied) statements or advertisements that housing is not available to members of a protected class. According to the Federal Act, advertisement under this section refers not only to published ads in newspapers, but also to any other statements that are written, verbal, or non-verbal. Discriminatory advertisements include, but are not limited to, applications, brochures, signs, banners, photographs, symbols, human models, and spoken words and phrases which convey the message that dwellings are available or are not available to a particular protected class. Generally, ads should not contain words that express a preference based on a protected class. There are a few exemptions, such as housing for older persons, private clubs, shared-living housing, and religious organizations. A general rule of thumb on terms to use when advertising the sale or rental of a dwelling is to describe the property, not the person. Catchwords, such as "exclusive", "private" or "integrated" may convey a preference for one group over another and send signals about a community's makeup.

The Fair Housing Act does not require the use of the Equal Opportunity logo or slogan in any ad. However, using the logo is good solid evidence of the

company's commitment to fair housing compliance. Regulations do require the display of the HUD fair housing poster at any brokerage office and at dwellings under construction. A review of local advertisements in real estate publications was conducted for September, October and November 2008. Publications included the Condominium and Apartment Guide, Fall and Winter 2008; The Mid Michigan Real Estate Weekly, Vol. 4 Issue 42; Northern Realty Guide, September 2008; Home Magazine, October and November 2008; and Apartments For Rent.Com, October 2008. It should be noted that these publications generally cover a larger area than the City of Kalamazoo. There were no major concerns revealed. Many of the advertisers advertise with the equal housing opportunity logo or slogan, even when it was not required by the Act. Including the logo helps educate the home seeking public that the property is available to all persons. A failure to display the symbol or slogan may become evidence of discrimination if a complaint is filed.

The 1972 amendment to the federal Fair Housing Act of 1968 instituted the use of an equal housing opportunity poster. This poster, which can be obtained from HUD, features the equal housing opportunity slogan, an equal housing statement, and the equal housing opportunity logo. When HUD investigates a broker for discriminatory practices, it considers failure to display the poster as evidence of discrimination.

In a landmark ruling in *United States v. Hunter*, 459 F.2d 205 (4th Cir.), the Court of Appeals ruled that the Fair Housing Act applies to newspapers and other media that publish discriminatory advertisements even though another person placed the advertisement. That case, decided in 1972, involved a classified advertisement seeking a tenant for an apartment in a "white home". The United States Government brought the case against the newspaper seeking injunctive relief to prohibit the newspaper from publishing discriminatory real estate advertisements. The Court also ruled that section 3604(c) of the Fair Housing Act, the provision stating that discriminatory real estate advertising is prohibited,

is not a violation of the First Amendment and it further ruled that the basis for determining whether an ad violates section 3604(c) is determined by how an “ordinary” reader would interpret the ad.

FHAP / FHIP Explanation

The U. S. Department of Housing and Urban Development (HUD) provides funding to state and local governmental agencies to enforce local fair housing laws that are substantially equivalent to the Fair Housing Act. Once a state and/or city have a substantially equivalent fair housing law, they can attempt to become certified as a Fair Housing Assistance Program (FHAP) Agency and receive funds for investigating and conciliating fair housing complaints, or they can become a Fair Housing Initiatives Program (FHIP) Agency and receive funds for education, promoting fair housing, and investigating allegations. It should be noted that a city must be located in a state with a fair housing law that has been determined by HUD to be substantially equivalent. The city must then adopt a local ordinance that HUD concludes is substantially equivalent in order to participate in the FHAP Program. The local law must contain the seven protected classes - race, color, national origin, sex, religion, handicap, and familial status - and must have substantially equivalent violations, remedies, investigative processes, and enforcement powers. In addition, the process for investigating and conciliating complaints must mirror HUD’s.

HUD’s enforcement process begins when an aggrieved person files a complaint within one year of the date of the alleged discriminatory housing or lending practice. The complaint must be submitted to HUD in writing. This process can be initiated by a phone call. HUD will complete a complaint form, also known as a 903, and mail it to the complainant to sign. The complaint must contain the name and address of the complainant and respondent, address and description of the housing involved, and a concise statement of the facts, including the date of the occurrence and the complainant’s affirmed signature. Upon filing, HUD is obligated to investigate, attempt conciliation, and resolve the case within 100

days. Resolution can be a dismissal, withdrawal, settlement or conciliation, or no determination as to cause.

The FHAP certification process includes a two-year interim period when HUD closely monitors the intake and investigative process of the governmental entity or non-profit applying for substantial equivalency certification. Also, the local law must provide enforcement for aggrieved citizens where cause is found. It can be through an administrative hearing process or filing suit on behalf of the aggrieved complainant in court.

The FHIP certification process is contingent on the type of funding for which the agency is applying. There are four programs to which an agency can apply; Fair Housing Organizations Initiative (FHOI), Private Enforcement Initiative (PEI), Education Outreach Initiative (EOI), and Administrative Enforcement Initiative (AEI).

Fair Housing Court Case

Legal actions and judicial decisions have served to augment, further define or promote fair housing choice. Our analysis focused on recent judicial cases, key ruling and legal precedence established by court cases and decisions that have developed in fair housing, as well as other laws that have been utilized to enhance fair housing efforts.

Since the inception of the Act, insurance companies maintained that they were not covered by the Act. However, in 1992 a Wisconsin Appeals Court determined that the Act “applies to discriminatory denials of insurance and discriminatory pricing that effectively preclude ownership of housing because of the race of an applicant.” The case was a class action lawsuit brought by eight African-American property owners, the NAACP, and the American Civil Liberties Union against the American Family Insurance Company. The plaintiffs claimed

they were either denied insurance, underinsured, or their claims were more closely scrutinized than Whites. American Family's contention was that the Act was never intended to prohibit insurance redlining. The appeals Court stated, "Lenders require their borrowers to secure property insurance. No insurance, no loan; no loan, no house; lack of insurance thus makes housing unavailable." A 1998 court verdict against Nationwide Insurance further reinforced previous court action with a \$100 million judgment due to illegally discriminating against black

A real estate sales related case was settled for \$250,000 in Maryland when Baltimore Neighbors, Inc., a non-profit organization, alleged that real estate agents were steering. Fine Homes' real estate agents were accused of steering prospective African-American buyers away from predominantly White neighborhoods, and Whites were almost never shown homes in predominantly African-American zip codes.

A 1999 joint statement from the Department of Justice and HUD details changing attitudes concerning group homes for disabled and mentally ill persons situated in residential neighborhoods. The statement indicates that group homes should be treated no different than non-related individuals sharing a home. If a jurisdiction has zoning rules limiting the number of non-related individuals living in a home in a residential area, similar limits may be imposed on group homes for the disabled or mentally ill. If no such zoning rules exist limiting non-related individuals, none may be set for group homes. This statement does not include half-way homes for ex-convicts, drug users, or persons who have been convicted of the manufacture or sale of illegal drugs.

In *City of Edmonds v. Oxford House*, the United States Supreme Court ruled that the Fair Housing Amendments Act of 1988 prevents communities from excluding group homes for the handicapped from single-family residential zones. Oxford House is a nonprofit umbrella organization with hundreds of privately operated group homes throughout the country that house recovering alcoholics and drug

addicts. Recovering alcoholics and drug addicts, in the absence of current drug use or alcohol consumption, are included under the protected class of handicapped in the Fair Housing Act as amended in 1988. In *Oxford House v. Township of Cherry Hill*, 799 F. Supp. 450 (D. N.J. 1991), the federal court rejected a state court ruling that said recovering alcoholic and drug addicted residents in a group home do not constitute a single-family under the Township's zoning ordinance. In *Oxford House-Evergreen v. City of Plainfield*, 769 F. Supp. 1329 (D. N.J. 1991) the court ruled that the City's conduct, first announcing that the Oxford House was a permitted use only to deny it as a permitted use after neighborhood opposition, was intentionally discriminatory.

The U.S. Supreme Court in the *Olmstead* case determined "*Unjustified institutionalization of persons with mental disabilities...qualifies as discrimination*"- as stated in its majority opinion of the U.S. Supreme Court. In a landmark decision by a 6-3 vote, the Court ruled in June 1999, that a state may not discriminate against psychiatric patients by keeping them in hospitals instead of community homes. The Court said that the Americans with Disabilities Act (ADA) may require that states provide treatment in community-based programs rather than in a segregated setting. This Court further ruled that community placement is a must when deemed appropriate by state professionals, agreed to by the individual with the disability, and resources available are sufficient. The Court also agreed with "the most integrated setting" provision of the ADA.

In 2003, a settlement was ordered by the District Court in New Jersey for the owner of the internet website www.sublet.com, who was found guilty of publishing discriminatory rental advertisements which is prohibited by the Fair Housing Act. It was the first of its kind to be brought by the Justice Department. It was thought to be imperative that the federal laws that prohibit discriminatory advertising should be enforced with the same vigor with regard to internet advertising as it would for print and broadcast media. The court ordered the site

to establish a \$10,000 victim fund to compensate individuals injured by the discrimination. They were also ordered to pay a civil penalty of \$5,000, adopt a non-discrimination policy to be published on the website, and require all employees to undergo training on the new practices.

In February 2005, a federal court jury in Detroit sided with a 55-year-old disabled registered nurse in a decision that could solidify the right of mentally ill people to obtain exceptions to no-pet policies in apartment, condominium, and cooperative housing complexes. The verdict, which awarded \$14,209 in actual damages and \$300,000 in punitive damages to the nurse, is believed to be the first federal jury verdict to recognize mental illness as a disability under the federal Act.

Under the Fair Housing Act, apartment complexes and condominiums with four or more units and no elevator, built for first occupancy after March 13, 1991, must include accessible common and public use areas in all ground-floor units. An apartment complex near Rochester, New York was ordered to pay \$300,000 to persons with disabilities for not making its housing facility fully accessible, with \$75,000 set aside for the plaintiffs. They were required to publish a public notice of the settlement fund for possible victims and pay a \$3,000 civil penalty.

In 2005, the Connecticut Commission on Human Rights and Opportunities (CHRO) issued a charge of discrimination on the basis of disability when an apartment manager refused to rent a person with disabilities a unit in the first floor due to the absence of access ramp or make a modification to add a ramp. The court recognized that the renter has a disability and the defendant knew the fact and refused to make accommodations. The court concluded that the renter was entitled to compensatory and emotional distress damages of \$10,000 and imposed a civil penalty of \$1,000.

In 2007, the 9th Circuit Court of Appeals rendered a decision in support of the Fair Housing Council of San Fernando Valley stating that Roommates.com had

violated the fair housing laws by matching roommates by gender, sexual orientation, and parenthood. By asking prospective roommates to put in their status relative to these criteria for the purpose of allowing prospective roommates to judge them on that basis is a violation of Fair Housing Act.

In 2005, the National Association for the Advancement of Colored People (NAACP), The National Association of Home Builders (NAHB), and the Home Builders Association (HBA) of Greater Austin, filed a federal lawsuit against the City of Kyle, TX. The plaintiffs contended that ordinances passed by the Kyle City Council, imposing requirements such as all-masonry construction, expanded home size, and expanded garage size, drive up the cost of starter homes by over \$38,000 per new unit. The allegation is that this increase has a disproportionate impact on minorities and this effect violates the Fair Housing Act. The City of Kyle filed a motion to dismiss, asserting that both NAACP and NAHB lack standing. The federal district court recognized the plaintiff's standing in 2006. Thereafter, the cities of Manor, Round Rock, Pflugerville, and Jonestown, all moved to join the litigation on the grounds that they each have ordinances similar to the one being challenged in Kyle and that any positive decision in this case would allow NAHB and NAACP to sue them at some later date. In May the court decided that the cities could participate as friends of the court but may not join in the litigation otherwise. This case is in progress and a judgment is expected in 2009.

Fair Lending Laws

Unfair lending is difficult to detect and to prove. However, there are laws, other than the fair housing law, to assist communities in aggressively scrutinizing fair lending activity. One such law is the Home Mortgage Disclosure Act (HMDA), which requires banks to publish a record of their lending activities annually. Frequently, fair housing enforcement agencies and nonprofits use these data to help substantiate a discrimination claim or to determine a bank's racial diversification in lending. Another law frequently utilized by community organizations is the Community Reinvestment Act (CRA). When a bank wants to merge with or buy another bank or establish a new branch, the community has an opportunity to comment. Usually, the CRA commitments made by the bank are analyzed, utilizing other data such as HMDA, to determine adherence. The community can challenge the action if the bank has a poor record. Sometimes compromise agreements have been reached based on the bank promising a certain level of commitment to the community. Additionally, the Equal Credit Opportunity Act (ECOA) prohibits discrimination in lending generally and can be significant when it comes to securing information about unfair lending practices and imposing remedies, which may include up to one percent of the gross assets of the lending institution.

The Fair Housing Act and Homelessness

Homelessness is defined as lacking a fixed, regular, and adequate night-time residence; or the primary night-time residence is:

- A supervised publicly or privately operated shelter designed to provide temporary living accommodations;
- An institution that provides temporary residence for individuals intended to be institutionalized; or,

- A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

The Fair Housing Act's definition of "dwelling" does not include overnight or temporary residence so mistreatment of the homeless is not specifically covered by the Fair Housing Law, although the inability of persons to find affordable housing, which may lead to homelessness, is a protected right of Fair Housing.

Testing Rights

It has long been settled that fair housing testing is legal and that non-profit enforcement agencies have standing to sue when certain criteria are met. These decisions make it feasible for non-profits to engage in fair housing enforcement activities.

2.2. Enforcement

The City of Kalamazoo's Fair Housing Officer (FHO) receives phone calls and complaints on fair housing issues and refers those to the Regional HUD Office in Chicago. Currently, HUD and the Fair Housing Center in Kalamazoo conduct investigations of fair housing complaints in the City. The Fair Housing Center also distributes fair housing educational materials and literature to the general public and local businesses.

Michigan is part of HUD's Midwest Region, located in Chicago, Illinois. When HUD Regional Office investigates complaints of discrimination, an investigator generally spends a day or two in the city, on-site, interviewing the complainant, respondents, and witnesses, reviewing records and documentation, while observing the environment. A detailed discussion of the complaints filled with HUD follows in Section 2.4.

Education and Outreach

An essential ingredient of fair housing opportunity and enforcement is education of the public regarding the rights and responsibilities afforded by the fair housing law. This includes the education of housing and financial providers, as well as citizens, the potential victims of discrimination. It is important for potential victims of housing and/or lending discrimination to be aware of fair housing issues generally, know what may constitute a violation, and what they can do in the event they believe they may have been discriminated against. Likewise, it is important for lenders, housing providers, and their agents to know their responsibilities and when they may be violating fair housing law.

Often, people may be unaware of their fair housing rights. Present day housing discrimination tends to be more subtle. Instead of saying that no children are allowed, landlords may impose unreasonable occupancy standards that have the effect of excluding families with children. Rather than saying, "We do not rent to Hispanics," they may say, "Sorry we do not have any vacancies right now, try again in a few months," when, in fact, they do have one or more vacancies. Printed advertisements do not have to state, "no families with children or minorities allowed" to be discriminatory. A series of ads run over an extended period of time that always or consistently exclude children or minorities may very well be discriminatory. In addition, a person who believes he/she may have been discriminated against will probably do nothing if he/she does not realize that a simple telephone call can initiate intervention and a resolution on his/her behalf, without the expenditure of funds or excessive time. Thus, knowledge of available fair housing rights, enforcement resources and assistance is a critical component.

2.3. Production and Availability of Affordable Units

An overview of the key characteristics affecting the housing environment in Kalamazoo will assist in assessing the adequacy and effectiveness of the housing programs designed and implemented by the City in reaching the target market and identifying and serving those who have the greatest need. Much of the information is taken from the 2005-2009 Consolidated Plan, the 2006-2007 Consolidated Annual Performance and Evaluation Report (CAPER), the 2007-2008 Annual Action Plan, and other documentation provided by the City of Kalamazoo.

Grant funding for the past five years and the upcoming program year include entitlement allocations for Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), and Emergency Shelter Grant (ESG). Funding levels from PY 2003-2004 through PY 2007-2008 are provided in Table 2.1 below.

Table 2.1: HUD Funding Allocations, City of Kalamazoo

Entitlement Funding Year	CDBG	HOME	ESG	Totals
PY 2003-2004	2,168,000	775,816	0	3,025,816
PY 2004-2005	2,166,000	774,148	0	2,940,148
PY 2005-2006				
PY 2006-2007	1,872,055	689,483	0	2,561,538
PY 2007-2008	1,888,768	682,933	80,734	2,652,435

Source: City of Kalamazoo Community Planning and Development Department

During the PY 2007 CAPERS reporting period, June 1, 2007 – May 31, 2008, \$1,888,768 in Community Development Block Grant (CDBG), \$682,933 of HOME Investment Partnership (HOME), and \$80,734 in Emergency Shelter Grant (ESG) funding was awarded to the City of Kalamazoo through these three entitlement programs. In addition, the City of Kalamazoo and its sub recipient partners realized \$372,386.26 in CDBG-generated program income which is also used to achieve the goals and objectives of the Consolidated Plan. The City of Kalamazoo continues to make every effort to increase the impact of its federal

HUD funding, placing as many resources as possible into direct community service and seeking additional leveraged funds for overall community development.

During Program Year 2007, the third year of the City of Kalamazoo's Consolidated Plan 2005 – 2009, the City of Kalamazoo's primary focus continued to be on addressing the needs of the residents of six (6) core CDBG neighborhoods: the Eastside (Census Tract 1.00), Edison (Census Tracts 9.00, 10.00, and part of 11.00), Fairmont (formerly West Douglas, part of Census Tract 5.00), Northside (Census Tracts 2.02 and 3.00), Stuart (part of Census Tract 5), and Vine (Census Tract 6.00 and parts of Census Tracts 2.01 and 11.00). These neighborhoods encompass the 2000 Census Tracts with a minimum of 51% low-to-moderate income persons as defined by the U.S. Department of Housing and Urban Development. Residents of these neighborhoods face many inter-related problems such as a lack of affordable housing, or housing which is of substandard condition, higher incidences of criminal activity, and a lack of sufficient support services.

As part of its 5-year plan to meet growing community concerns, the City of Kalamazoo has continued utilizing CDBG funds to aggressively enforce community housing code standards and to reduce the number of abandoned and vacant properties within the city. During PY2007, CDBG resources continued to support the efforts of the Anti-Blight Team in the Community Planning and Development Department. The Anti-Blight Team's dual function is to reduce housing code violations and identify abandoned and vacant housing in the community with the goal of restoring these to a functional use as affordable housing. CDBG funds have been used to acquire and rehabilitate tax-reverted properties with a goal of selling them to income-qualified homebuyers. The proceeds of such sales will become program income to be used for the same purposes. During PY2007, the Anti-Blight Team initiated 67 new abandoned residential structure cases, conducted 67 initial inspections, 181 re-inspections,

identified 73 cases of vacant buildings open to casual entry, and oversaw 24 condemnations. Four original owners – 15 occupants - rehabilitated and returned to their houses and 24 houses became certified rental properties. 5 owners had their properties demolished privately, and the City demolished another 15 homes and 4 substandard garages. One property – 512 Lawrence Street - was acquired and rehabilitated by the City.

In addition to this traditional focus, the City of Kalamazoo has begun the process of developing a comprehensive neighborhood revitalization strategy under the title of A+ Neighborhoods. This approach encompasses several tools including reutilization of tax-reverted properties, code enforcement, housing code assistance funds, capacity building, and tax relief to revitalize neighborhoods. During PY2007, the City used CDBG funds to pilot a limited exterior blight reduction initiative, the Housing Assistance Repair Program (K-HARP), which provided deferred loans to low-to-moderate income households which were in violation of the City's housing code. The City continues to examine its role primarily in partnership with its community nonprofit organizations to address the community development needs of Kalamazoo.

The City also researched and developed a strategic Neighborhood Enterprise Zone tax-relief plan for targeted areas of the City to encourage both new development and rehabilitation of existing housing stock.

2.4. Regulatory and Public Policy Review

The City's zoning ordinance and public policies were examined to reveal any current ordinances or policies that impede fair housing. Kalamazoo's zoning ordinance does not appear to be an impediment to fair housing choice.

2.5. Analysis of Fair Housing Complaints

Fair housing complaint information was received from the regional office of the U.S. Department of Housing and Urban Development in Chicago. The data provides a breakdown of complaints filed for Kalamazoo from January 1, 2003 through October 31, 2007. Fifty three cases were filed according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Handicap, Sex, and Race. Table 2.2, below, shows a total of 61 complaints because some of the 53 cases cited multiple bases in their claim.

Table 2.2: Number of Complaints by Protected Class by Year (2003-2008)

Protected Class	Race/Color	National Origin	Familial Status	Disability	Sex	Religion	Totals
2003	2	1	0	0	1	0	4
2004	2	1	0	10	0	0	13
2005	8	1	1	1	2	1	14
2006	8	1	0	1	1	0	11
2007	6	1	0	3	1	1	12
2008	4	1	0	2	0	0	7
Totals	30	6	1	17	5	2	61

Source: HUD Chicago Regional Office

Of the 53 cases, 51 were closed with a satisfactory resolution. Six cases were closed with conciliation where probable cause was found prior to being conciliated. Twenty seven cases were closed with a no cause determination. This means that justification for the complaint was not applicable to the Fair Housing Law. Eleven were closed because the complainant withdrew the

complaint after the resolution. One case was dismissed due to lack of jurisdiction. Four cases were closed due to the lack of cooperation from the complainant. One case was closed because they were unable to locate the complainant and one case closed for untimely filing. Table 2.3, on the following page, provides the details for case closure by types and by year the case was opened.

Table 2.3: Number of Complaints by Protected Class by Year (2003-2008)

Type of Closure	2003	2004	2005	2006	2007	2008	Totals
Case Conciliated	0	4	1	0	1	0	6
No Probable Cause	3	6	5	7	5	1	27
Withdrawn	0	1	1	3	3	3	11
Lack of Jurisdiction	0	0	0	0	1	0	1
Complainant failed to cooperate	0	1	2	1	0	0	4
Unable to locate	0	0	1	0	0	0	1
Untimely Filed	0	0	0	0	1	0	1
Totals	3	12	10	11	11	4	51

Source: HUD Chicago Regional Office

2.6. Conclusions and Implications for Fair Housing Barriers

The State of Michigan has enacted a fair housing law that is substantially equivalent to the federal Fair Housing Act. The City of Kalamazoo has not enacted a fair housing ordinance. The City does not have an enforcement office that investigates fair housing complaints, and therefore reports all complaints to HUD. Between January 2003 and October 2008, a total of 53 cases have been received and investigated through the HUD Regional Office.

An examination of local advertisements in real estate publications from September through November 2008 revealed no violation of fair housing law.

During the PY 2007 CAPERS reporting period, June 1, 2007 – May 31, 2008, \$1,888,768 in Community Development Block Grant (CDBG), \$682,933 of HOME Investment Partnership (HOME), and \$80,734 in Emergency Shelter Grant (ESG) funding was awarded to the City of Kalamazoo through these three entitlement programs. In addition, the City of Kalamazoo and its sub recipient partners realized \$372,386.26 in CDBG-generated program income which is also used to achieve the goals and objectives of the Consolidated Plan.

The City's zoning ordinance and public policies were examined and did not reveal any current ordinances or policies that violate fair housing.

Section 3: Focus Group Sessions and Community Engagement

Introduction

This section will report on the results from the three focus group sessions held October 28, 2008. Participants in the focus groups included representatives from the City of Kalamazoo staff, local non-profit organizations, housing professionals, real estate, financial and insurance industry representatives, the general public and other community representatives. Attendees were gathered by invitations sent to select resident and community leaders, organizations, industry professionals and public officials. At each focus group session, general issues related to the housing market and specific concerns pertaining to fair housing choice in Kalamazoo were discussed. Supplemental interviews were conducted with individuals from the community and industry representatives to obtain information from those unable to attend the sessions. All of our sessions were hosted by the City of Kalamazoo, Community Planning and Development Department, Neighborhood Development Division Administrator, in the Mayor's Riverfront Park Community Room located at 251 Mills Street.

It should be noted that the comments summarized in this section represent the comments and views of the focus group participants. J-Quad has made every effort to document all comments as a matter of record, and to ensure that the comments, as present on the following pages, have not been altered to reflect our analysis, investigation or substantiation of information obtained during these sessions. Focus Group Comments and information obtained during interviews were later analyzed and to the extent substantiated or collaborated by the data and analysis, included in Section Six, Impediments and Remedial Actions. Comments from participants included the following.

3.1. Focus Group Concerns and Comments

Public Policy and Public Awareness of Fair Housing

Participants cited a lack of public awareness of fair housing rights as a concern. They felt that many residents are simply unaware of their rights and that the number of violations reported may be much lower than the number of violations occurring. Others felt strongly that the City of Kalamazoo should enact local fair housing legislation to strengthen its stance on fair housing rights and increase emphasis on 504 plans, and fair housing training for landlords, realtors and other industry professionals. Attendees felt that in some instances, people do not register complaints for fear of retaliation by their landlords, or if they report code enforcement violations, enforcement will result in higher rents or evictions.

Participants also felt that residents needed increased access to homebuyer education and counseling when considering purchase of a home and rental housing and tenant's rights counseling and advocacy for renters. They were concerned that first-time home buyers often do not know where to go for help or how to start the process of purchasing a home. Anecdotal accounts by attendees included Habitat program first time home buyers suffering harassment in the workplace upon approval for a home; obstacles faced by renters including denial of rental applications based on having no prior address, prior addresses limited to shelters, and frequent gaps in their rental histories; and condominium restrictions that do not allow owners/organizations to rent the units they own to their clients which are largely living with disabilities. For some of the rental applicants, they cited having received denials of their applications based on the aforementioned rental histories although they demonstrated consistent income over that same period of rental history.

Social-Economic Conditions

Among the social-economic issues frequently mentioned in the focus group sessions was the perception that the supply of affordable housing is inadequate and the cost to purchase homes or to rent housing continues to soar beyond the range affordable to many area residents. Attendees also felt that certain areas of the City are home to a disproportionate number of low-income persons, living in substandard housing. Participants indicated that the concentration of poverty is not only a concern with regard to social equity and the plight of renters, but poverty and limited incomes are also having a significant impact on the condition and quality of single family owner occupied housing in some neighborhoods. Others expressed concerns that some of the areas most affected are segregated by race in addition to having high concentrations of low income home owners.

In areas where a majority of homeowners cannot afford routine maintenance and rising utility costs, poor housing conditions may quickly become the prevalent state of affairs. The decline of the Michigan economy, lack of job opportunities and sufficient income to afford decent housing were cited as contributing factors. Both crime and perception of crime were discussed as critical issues that are hindering some residents from choosing to live in lower income and minority concentrated areas of Kalamazoo as well. In contrast, attendees felt that issues such as the cost of land and higher property taxes have caused home prices in select areas to soar out of reach of many residents. All of these issues were perceived to be adversely impacting fair housing choice.

Housing Supply, Neighborhood Conditions, and Infrastructure

Focus group participants wanted to have a greater emphasis placed on developing housing suitable to meet the needs of the changing demographics in the city and specific problems faced by residents and the working poor due to a worsening Michigan economy. Participants felt that housing counseling-both pre-purchase and post purchase support-was needed to help applicants qualify for financing and to remain current with mortgage payments and home maintenance

needs. Funding sources should be identified to provide rental assistance to those needing assistance with rent and utilities and security deposits necessary to initiate a lease.

Attendees also felt that greater focus was needed on local job creation. They cited a need to increase utilizing city incentives given to employers such as tax abatement as a means of increasing jobs. Others cited a need for greater support to non-English speaking job applicants such as English as a second language, GED preparation and basic skills development and job training.

Participants also expressed concerns over the growing demand for student housing and its impact on the available supply of affordable housing and the inflation of housing costs in the local market.

Access to Banking and Financial Institutions

Predatory lending practices were identified by focus group participants as a major issue. The focus group participants' perception is that predatory lenders are absorbing much of the market formerly controlled by FDIC insured banks and other reputable financial institutions and fast becoming lenders of choice in some low income and minority concentrated neighborhoods. In other instances, persons facing economic hardships are being preyed upon due to their inability to qualify for traditional lending and banking services. Predatory businesses provide individuals with loans backed by the title to their car or house at relatively high interest rates. They are quick to foreclose in the event the borrower misses a monthly payment. People often fall prey to sub prime loans because they have a poor credit rating or limited to no credit history. Attendees were concerned that a concentration of poverty and race in certain areas tends to attract predatory vendors who understand that these demographic concentrations are a constant source of clientele for their businesses.

Lending, Foreclosures and the Mortgage Industry

The inability to obtain home mortgages was seen as a major barrier that limits housing choice. Criminal background histories and immigration status are relatively new factors contributing to the inability to qualify for home purchases and rental housing leases. Credit issues appeared to be the major barrier, based on focus group participants' comments. Both a lack of qualified applicants and an adequate pool of applicants for mortgages, coupled with the inability of some housing units to qualify based on program guidelines were cited as barriers. Participants felt that greater emphasis should be placed on credit counseling and financial literacy being accessible to a broader population including youth and young adults age eighteen to thirty. Greater emphasis should be given to preventing damage to one's credit history and providing a solid foundation that could prevent future financial problems. Persons with a criminal felony record and those convicted of sex crimes are having particular problems finding housing to rent as well as qualifying for mortgages.

Appraisals that fail to provide adequate comparables to support sales prices on new homes built with federal funds was cited as a problem as well. Homes built in minority-concentrated areas are sometimes priced lower than comparable units in other non-minority concentrated areas based on industry appraisals.

In other instances, participants were concerned with underwriting criteria used by lenders and their failure to provide financing with more favorable terms to meet the needs of lower income clients. Products that once addressed these issues as part of a financial institutions' Community Reinvestment Act initiatives are no longer available. Some banks no longer offer such products due in part to the influences of recent increases in foreclosure rates and sub prime lending on mortgage approvals and higher private mortgage insurance for small loans.

Other participants cited instances in which elderly and other owners of affordable housing are no longer able to afford routine maintenance on their home. Any

major systems failure such as roof replacement, foundation problems or even heating and air conditioning replacement can render their home a health and safety risk or place the homeowner in violation of City property standards codes.

Special Needs Housing

Finally, participants were concerned that shelters for the homeless and housing for others in need of special needs housing were inadequate. Participants felt that more public resources should be identified and dedicated to homeless programs and shelters. Limited halfway houses and transitional housing for the homeless is a major concern.

Public Transportation and Mobility

Participants cited limited mobility and public transportation as impediments to housing choice. These limitations were also a concern for the elderly and disabled persons in need of transportation to access supportive services.

3.2. Solutions

Attendees indicated a need for an Affordable Housing Task Force to tackle the critical issues associated with affordable housing and the need to increase efforts that have been successful such as the City's Homeless Challenge Grant. More aggressive enforcement and effective public policy is needed to mitigate the impacts of increased incidents of discrimination or impediments to housing for persons with disabilities, renters with past criminal records or prior convictions for sexual abuse related crimes, those in need of special needs housing or facing evictions, foreclosures and homelessness.

Participants wanted an increased emphasis on credit education and housing consumer counseling. Increased financial literacy courses taught in high schools was seen as solutions as well.

Participants cited a need to develop alternative types of housing suitable for special populations, the elderly and middle-income groups. It was suggested that incentives should be used to encourage developers to create more product for those groups and to support middle income buyers interested in homeownership.

Some participants suggested that increased emphasis on rehabilitation and financing home improvements for older homes is needed to improve the condition of the housing stock and neighborhoods in the City. Attendees felt that increased funding for rehabilitation activities would help to arrest the deterioration of existing neighborhoods and help attract new buyers to those neighborhoods.

Section 4: Home Mortgage Disclosure Act (HMDA) Data Analysis

Introduction

The Federal Financial Institutions Examination Council (FFIEC) gathers data on home mortgage activity from the federal agencies that regulate the home mortgage industry. The data contain variables that facilitate analysis of mortgage lending activity, such as race, income, census tract, loan type, and loan purpose. The FFIEC provides the HMDA databases and retrieval software on compact disk. Data can be summarized within the software package or downloaded in its raw form for analysis. For this analysis, the FFIEC databases were utilized for 1997 through 2006.

The data reported here are summarized by a variety of methods. Tables 4.1, Tables 4.2 and 4.4 provide information for the County. Tables 4.3, 4.5 and 4.6 present the data by census tract income groups. The maps, provided at the end of this section, present data according to census tracts for Kalamazoo County.

4.1. Analysis

Table 4.1 examines home loan activities in Kalamazoo County and the City of Kalamazoo. Data are presented by loan type, ethnicity, income of the census tract, and loan purpose. In the county, White applicants represent the largest number of loan applicants at over 142,000. Origination rates for Whites exceed 59 percent. African-Americans were the next largest applicant group with over 10,000 applications submitted and an origination rate of over 32 percent, considerably lower than White rates. Hispanic origination rates were 32 percent, with just over 2,000 applications reported. High-income applicants showed both the highest number of applications, at over 121,300, and the highest origination rate, at almost 56 percent. Both the number of applications and the origination rates drop significantly for all other income groups, with over 25,000 applications from middle income applicants and just over 41 percent origination rates.

Conventional loans account for the largest number of applications, at over 159,500, and the lowest origination rate, at over 42 percent.

Isolating the census tracts within the city, White applicants represent the largest number of loan applicants at over 38,300. Within the City, origination rates for Whites exceed 50 percent. African-Americans were the next largest applicant group with about 5,500 applications submitted and an origination rate of over 32 percent, again considerably lower than White rates. Hispanic origination rates were over 31 percent, with just over 1,200 applications reported. High-income applicants showed both the highest number of applications, at over 28,600, and the highest origination rate, at about 54 percent. Both the number of applications and the origination rates drop significantly for all other income groups, with over 5,500 applications from middle income applicants and 38 percent origination rates. Conventional loans account for the largest number of applications, at over 46,500, and the lowest origination rate, at about 39 percent.

Table 4.2 displays the HMDA data for the same data categories (Loan Type, Ethnicity, Income, and Loan Purpose) for the county and the city. On this table, however, percentages are taken within category, rather than demonstrating the percentage of applications that result in loan originations. For instance, the percentage of originations in Table 4.2 indicates that 70.2 percent of originations in the county were for conventional loans whereas the origination rate is 42.5 percent from Table 4.1. For comparison, ethnic percentages were included under the “%Pop.” column to compare the percentage of originations by ethnic group to their percentage in the population for that geography.

For Loan Type, “Conventional” shows the highest percentages, at over 70 percent. FHA loans, which are government insured and have more stringent lending criteria, were over 20 percent of the originations. Referring back to Table 4.1, government insured loans had a significantly higher origination rate than

conventional, at about 52 percent for government insured versus 42 percent for conventional.

In the county, for Ethnicity, "White" shows the highest percentage of originations at over 87 percent of the total. The percentage of originations is over three percentage points higher than the percentage of Whites in the population. African-American applicants account for over three percent of originations, while their presence in the population was about 10 percent of all residents. Hispanic applicants accounted for less than one percent of all originations, with about three percent of the total population. For Income, the highest income group (>120% median) displays the highest percentage of originations, at over 70 percent of all originations. While it stands to reason that the highest income group would have the greatest success in being approved for loans, it is somewhat troubling that a relatively small group accounts for more than 70 percent of all loans in the county. Loan Purpose data show that home purchase loans accounted for over 60 percent of the originations. Refinance loans were the second most frequent purpose, at almost 28 percent. Home improvement loans accounted for less than 12 percent of all originations.

Isolating the census tracts within the city, Whites show the highest percentage of originations at 86 percent of the total. The percentage of originations is about 15 percentage points higher than the percentage of Whites in the population. African-American applicants account for eight percent of originations, while their presence in the population was about 20 percent of all residents. Hispanic applicants accounted for less than two percent of all originations, with about four percent of the total population. This is similar to the loan origination trends in the county that African-Americans and Hispanics are less likely to qualify for mortgage financing. For Income, the highest income group (>120% median) displays the highest percentage of originations, at over 68 percent of all originations. Loan Purpose data show that home purchase loans accounted for 48 percent of the originations. Refinance loans were the second most frequent

purpose, at almost 39 percent. Home improvement loans accounted for over 12 percent of all originations.

Table 4.3 examines the HMDA data more closely with respect to the possibility of redlining within the county. Redlining relates to the avoidance of certain locations by mortgage lenders in response to undesirable characteristics of the area. Assuming that these negative characteristics can be epitomized by the lowest income census tracts (<51% median in the tables), a comparison of origination rates within these tracts, and compared to higher income tracts, should shed some light on the probability of redlining. Origination rates for the city indicate that Very Low-Income applicants (<51% median) were successful 28 percent of the time, Low-Income applicants (51-80% median) 30 percent of the time, Moderate Income applicants (81-95% median) 34 percent of the time, Middle Income applicants (96-120% median) 38 percent of the time, and High Income applicants (>120% median) 53.6 percent of the time. When isolating the Very Low Income census tracts, the origination rates change dramatically. Very Low Income applicants were successful 36 percent of the time, a six percentage point improvement over their overall success in the city. Middle Income applicants in very low-income tracts had a 21.9 percent origination rate, more than 16 percentage points lower than in the city overall. High Income applicants in very low-income tracts had a 30.1 percent origination rate, more than 23 percentage points lower than in the city overall.

Comparing Very Low-Income tracts to High Income tracts, large differences are noted between origination and denial rates. Within High Income tracts, Very Low Income applicants were successful 29.1 percent of the time, almost as high as High Income applicants in the Very Low Income tracts. High Income applicants were successful 60.9 percent of the time in High Income tracts, almost 30 percentage points higher than in Very Low Income tracts. Origination rates for Middle Income applicants in High Income tracts were 25.3 percentage points higher than in the Very Low Income tracts. While this analysis does not provide

conclusive proof that redlining exists, the expectation for higher income applicants would be for relatively equal origination rates across all census tracts. The large differences in origination rates between Very Low and High-Income tracts suggest that some characteristics of redlining may exist.

Table 4.4 compares origination rates between minorities and White applicants for the various loan purposes and income groups. For all loan purposes shown, White origination rates are much higher than minorities. For home purchase loans, origination rates were almost 60 percent for Whites and just under 48 percent for minorities, a difference of 12 percentage points. White applicants for home improvement loans are successful almost 19 percentage points more often than minorities. The rates for refinance loans show a nine percentage point difference.

Looking at the income group comparison, minorities actually have relatively close origination rates to Whites in the two lowest income groups. With Moderate Income applicants (81-95% MFI), White origination rates start to show an advantage. In the High Income group (>120% MFI), White origination rates are more than 10.5 percentage points higher. Within each income group, Whites and minorities are entering the loan markets with relatively equal incomes.

Chart 4.1 provides a look at origination rates by census tract income for the loan types; conventional, FHA, and VA. As would be expected, government insured loans have higher origination rates in all income groups. Conventional origination rates close the gap to a large extent as incomes rise.

Chart 4.2 shows origination rates by ethnicity and income of the census tract. White rates exceed both African-American and Hispanic rates. While Native Americans and Asian rates are higher than White rates in the lower income tracts, these numbers are based on relatively low numbers of applications.

Chart 4.3 looks at origination rates by the income of the applicant and the income of census tracts. Higher income applicants have higher origination rates, with the exception of the Very Low Income tracts. As suggested earlier, characteristics of redlining can be seen in the much lower origination rates of similar income individuals in lower income tracts, where high income applicants do not have as high an approval rate as lower income applicants.

Chart 4.4 looks at origination rates by loan purpose and income of the census tract. Applications for home purchase loans have a higher success rate as the tract income increases, as do home improvement and refinance loans, peaking at over 50 percent for the High Income tracts. Refinance loans generally have the lowest origination rates, overall, and are less than 30 percent in Very Low-Income tracts. In the Very Low and Low Income tracts, home improvement loans show the highest origination rates. Refinance loans have the highest origination rates in the Moderate Income tracts. Home purchase loans have the highest approval rates in the Middle and High Income tracts.

Map 4.1 and maps 4.3 through 4.7 look at loan activity by census tract. The ratio of denials to originations was calculated for each loan purpose and loan type. Tracts shown in the darkest red indicate those areas where at least 75 applications are denied for every 100 applications that are originated. The medium red areas indicate those areas where between 50 and 75 applications are denied for every 100 applications originated. The mauve areas show 25 to 50 applications denied for every 100 applications originated. The pink areas show 0 to 25 applications denied for every 100 applications originated.

Map 4.2 shows the total number of loan originations by census tract. Less active areas are shown in the lighter colors, with the most active areas in dark red. Unlike the other maps, the light areas are meant to indicate areas of concern, either for a lack of loan activity or for their low rate of application originations in relation to denials.

A look at reasons for denial showed that the majority related to the applicants' credit history or their debt-to-income ratio. Nearly 8,490 (60.4%) denials were related to the applicants' credit history in the seven years of the study. Nearly 3,250 (23.1%) denials were related to the applicants' debt-to-income ratio and over 2,300 (16.3%) denials were due to inadequate collateral in those same years. Other possible reasons for not originating a loan included incomplete applications, employment history, mortgage insurance denied, unverifiable information, and insufficient cash for downpayment and/or closing costs.

4.2. Conclusions

The analysis does not provide conclusive evidence of fair housing impediments, however the data tend to suggest that characteristics of redlining may be adversely impacting loan originations in some low-income census tracts in the county and the city. While low-income applicants tend to have lower success rates in their loan applications compared to higher income applicants, within the low-income census tracts even high-income applicants showed a poor success rate. It would appear that the property or neighborhood conditions might be negatively impacting origination rates in those communities.

In the county and the city, the least success in lending was found in the refinance loan sector and the highest success was found in home purchase loan sector. Home purchase loans were the most frequent loan type in the city and the county. Overall, the origination rates among Whites were higher than minorities in home purchase, home improvement and refinance loans. Although African-Americans accounted for the second highest number of applications after Whites, the percentage of loan originations were significantly lower compared to their percentage in population in the city. The mortgage markets seem to have peaked in 2000 and 2001. Rising interest rates appear to be having an impact on lending activity in the city, with the number of applications slowing in recent years.

Table 4.1

**Home Mortgage Disclosure Act (HMDA) Analysis
Comparison of Number of Loan Applications and Origination Rates
City of Kalamazoo and Kalamazoo County
1997 - 2006**

	Kalamazoo		Kalamazoo County	
	Number of App.s	Origin. Rate	Number of App.s	Origin. Rate
Loan Type:				
Conventional	46,547	38.9%	159,579	42.5%
FHA	5,420	54.4%	37,458	52.5%
VA & Other	2,375	59.9%	16,281	55.9%
Ethnicity:				
Native	165	47.6%	606	40.0%
Asian	175	44.6%	1,755	44.0%
Black	5,498	32.6%	10,020	32.3%
Hispanic	1,236	31.1%	2,067	32.0%
White	38,335	50.2%	142,014	59.3%
Other	277	35.8%	1,440	52.1%
Not Provided	4,700	14.1%	37,161	15.5%
Unknown	3,956	3.0%	18,054	4.9%
Income:				
<51% median (very low)	2,541	28.0%	5,877	26.5%
51-80% median (low)	6,480	30.0%	15,336	32.9%
81-95% median (moderate)	5,037	34.0%	16,065	36.1%
96-120% median (middle)	5,552	38.0%	25,131	41.1%
>120% median (high)	28,645	53.6%	121,347	55.9%
Unknown	6,086	15.6%	29,595	20.1%
Loan Purpose:				
Home Purchase	22,977	46.9%	121,731	47.7%
Home Improvement	6,510	43.1%	26,363	43.6%
Refinance	24,681	35.6%	64,923	41.3%
Multifamily Dwelling	174	69.9%	210	74.2%
Totals	54,342	41.3%	213,117	45.3%

Table 4.2

**Home Mortgage Disclosure Act (HMDA) Analysis
Comparison of Originations Within Categories
City of Kalamazoo and Kalamazoo County
1997- 2006**

	# of Originations	Kalamazoo % of Originations	%Pop.	# of Originations	Kalamazoo County % of Originations	%Pop.
Loan Type:						
Conventional	18,086	80.5%		67,761	70.2%	
FHA	2,946	13.1%		19,656	20.4%	
VA & Other	1,423	6.3%		9,096	9.4%	
Ethnicity:						
Native	79	0.3%	0.6%	242	0.3%	0.4%
Asian	78	0.3%	2.5%	772	0.8%	1.9%
Black	1,792	8.0%	20.6%	3,236	3.4%	9.7%
Hispanic	384	1.7%	4.3%	661	0.7%	2.6%
White (non-Hispanic)	19,244	85.7%	70.8%	84,214	87.3%	84.6%
Other	99	0.4%	5.6%	750	0.8%	3.4%
Not Provided	663	3.0%		5,760	6.0%	
Unknown	119	0.5%		885	0.9%	
Income:						
<51% median	711	3.2%		1,560	1.6%	
51-80% median	1,943	8.7%		5,043	5.2%	
81-95% median	1,712	7.6%		5,805	6.0%	
96-120% median	2,111	9.4%		10,329	10.7%	
>120% median	15,356	68.4%		67,839	70.3%	
Unknown	620	2.8%		5,937	6.2%	
Loan Purpose:						
Home Purchase	10,774	48.0%		58,065	60.2%	
Home Improvement	2,768	12.3%		11,457	11.9%	
Refinance	8,794	39.2%		26,835	27.8%	
Multifamily	118	0.5%		156	0.2%	
Totals	22,455	100.0%		96,513	100.0%	

Table 4.3

Analysis of Home Mortgage Disclosure Act Data, 1997-2006

Analysis of Redlining in Very Low-Income Census Tracts

	# of Apps.	% Orig.	% Denied
Very Low Income Tracts			
<51% median	25	36.0%	44.0%
51-80% median	40	37.5%	40.0%
81-95% median	36	25.0%	50.0%
96-120% median	41	21.9%	60.9%
>120% median	53	30.1%	37.7%
Unknown	15	20.0%	6.6%
High Income Tracts			
<51% median	422	29.1%	47.8%
51-80% median	1,130	31.6%	43.8%
81-95% median	1,477	39.2%	36.0%
96-120% median	2,848	47.3%	28.1%
>120% median	23,557	60.9%	14.4%
Unknown	5,491	22.5%	3.5%
Difference Between High and Very Low Tracts (percentage point difference)			
<51% median		-6.8	3.8
51-80% median		-5.8	3.8
81-95% median		14.2	-13.9
96-120% median		25.3	-32.8
>120% median		30.7	-23.2
Unknown		2.5	-3.1
Citywide Origination Rates			
<51% median		28.0%	
51-80% median		30.0%	
81-95% median		34.0%	
96-120% median		38.0%	
>120% median		53.6%	
Unknown		15.6%	

**Table 4.4
Analysis of Home Mortgage Disclosure Act Data**

HMDA Activity for the Kalamazoo County, 1997 - 2006

	# Apps.	% of Apps.	% Denied	% Orig.
Home Purchase Loans				
Minorities	44,757	36.8%	29.2%	47.5%
White	52,626	43.2%	17.8%	60.0%
Not Provided	24,348	20.0%	11.4%	20.4%
Home Improvement Loans				
Minorities	11,850	44.8%	44.5%	40.9%
White	8,694	32.9%	23.8%	59.6%
Not Provided	5,919	22.4%	45.8%	24.1%
Refinance Loans				
Minorities	19,257	29.8%	20.5%	48.4%
White	20,838	32.2%	14.9%	57.2%
Not Provided	24,603	38.0%	26.1%	22.8%
All Loan Purposes				
Minorities	75,864	35.6%	29.4%	46.7%
White	82,158	38.6%	17.7%	59.2%
Not Provided	54,870	25.8%	21.7%	21.8%
Income Groups				
<51% MFI				
Minorities	3,198	54.3%	50.1%	29.4%
White	1,254	21.3%	46.4%	31.6%
Not Provided	1,425	24.3%	51.8%	15.8%
51 to 80% MFI				
Minorities	8,259	53.9%	42.2%	36.3%
White	3,741	24.4%	42.0%	36.2%
Not Provided	3,336	21.8%	48.3%	20.9%
81 to 95% MFI				
Minorities	8,748	54.5%	42.0%	38.0%
White	4,359	27.1%	33.1%	43.4%
Not Provided	2,958	18.4%	45.7%	19.9%
96 to 120% MFI				
Minorities	12,462	49.6%	35.7%	43.0%
White	8,241	32.8%	29.3%	48.3%
Not Provided	4,428	17.6%	40.7%	22.3%
>120% MFI				
Minorities	39,810	32.8%	21.8%	53.7%
White	59,958	49.4%	13.6%	64.0%
Not Provided	21,579	17.8%	27.6%	37.5%
Not Provided				
Minorities	3,411	11.9%	9.7%	51.4%
White	4,134	14.4%	9.6%	65.5%
Not Provided	21,207	73.8%	2.0%	7.0%

Chart 4.1

Origination Rates by Loan Type by Income of Census Tracts

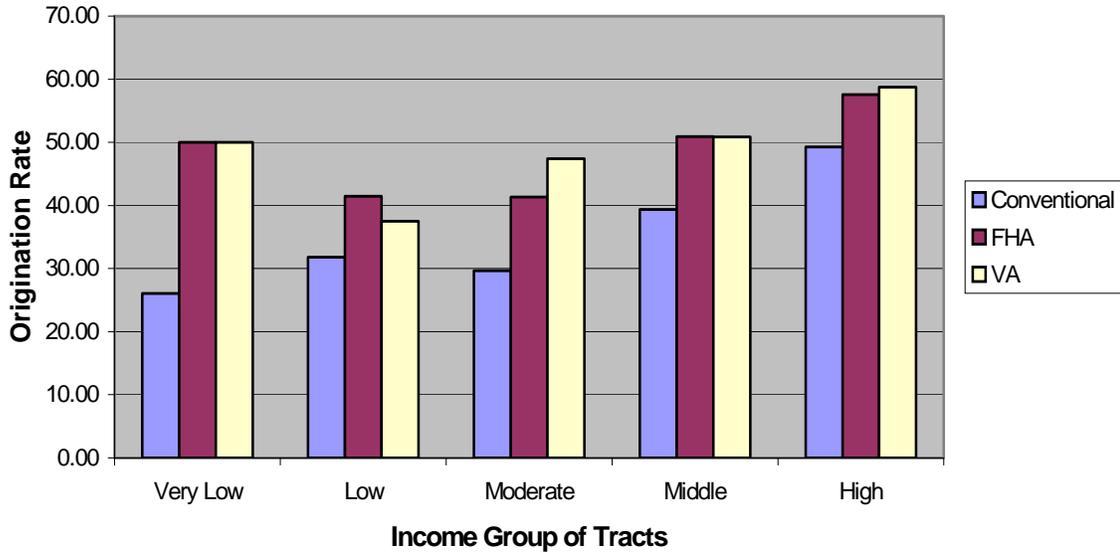


Chart 4.2

Origination Rates by Ethnicity by Income of Census Tracts

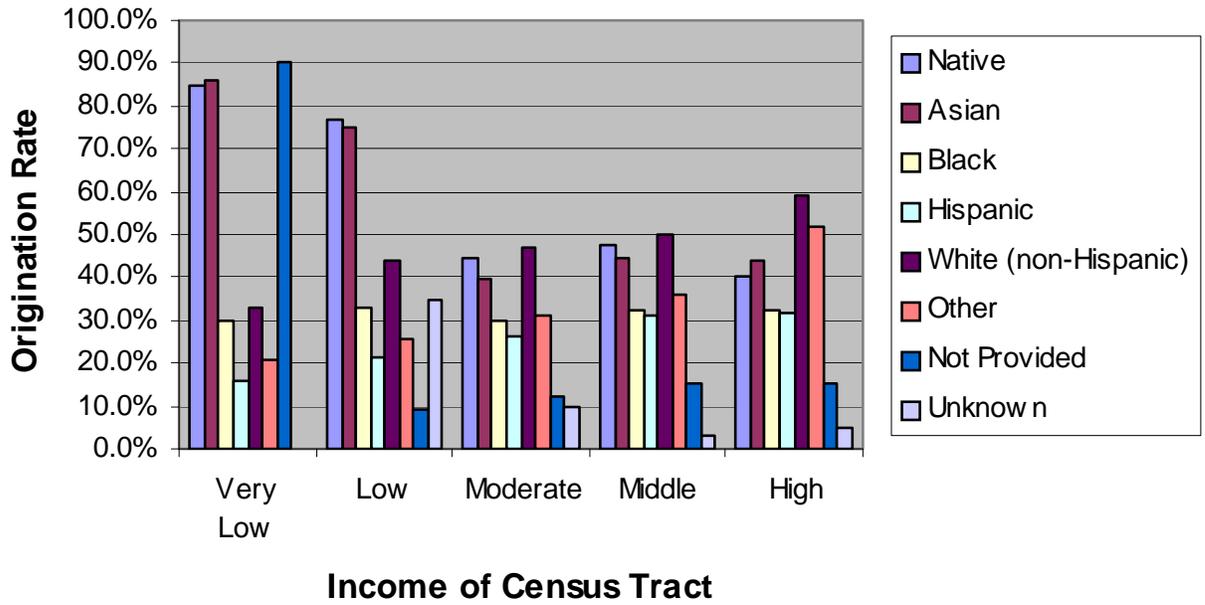


Chart 4.3

Origination Rates by Applicant Income by Income of Census Tract

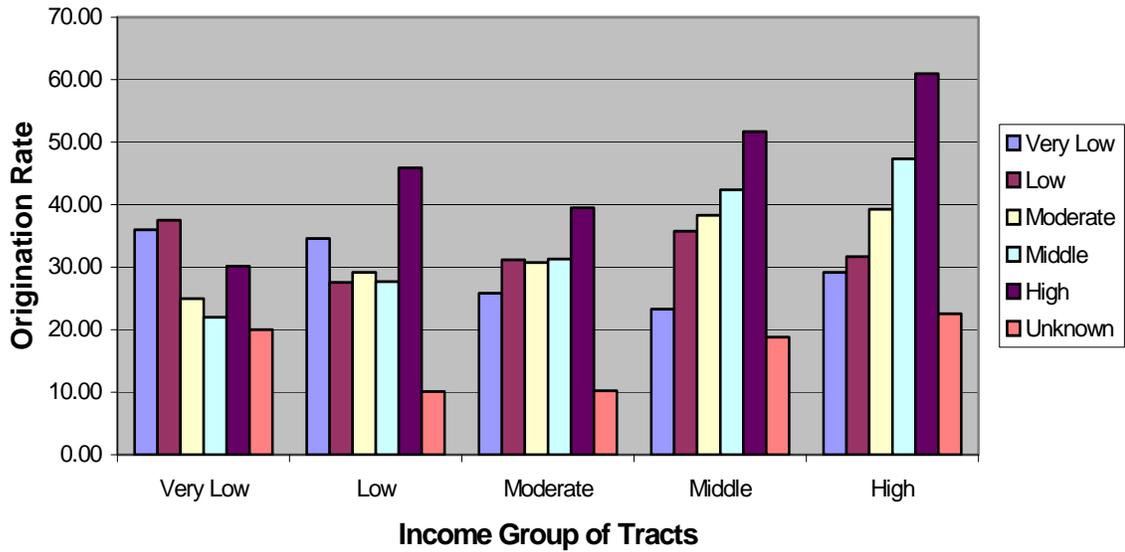
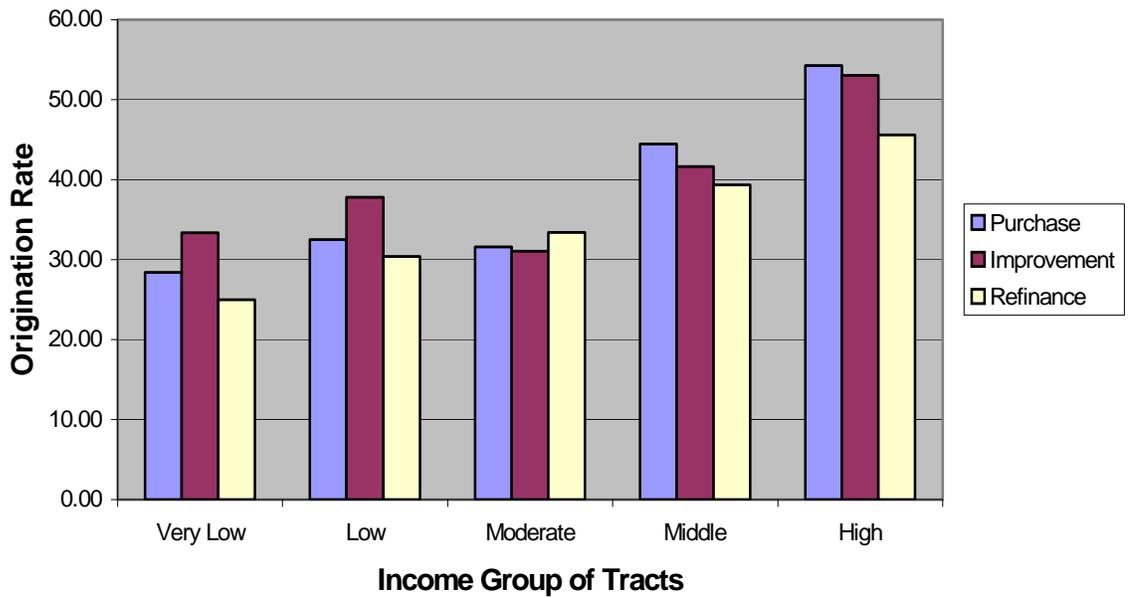


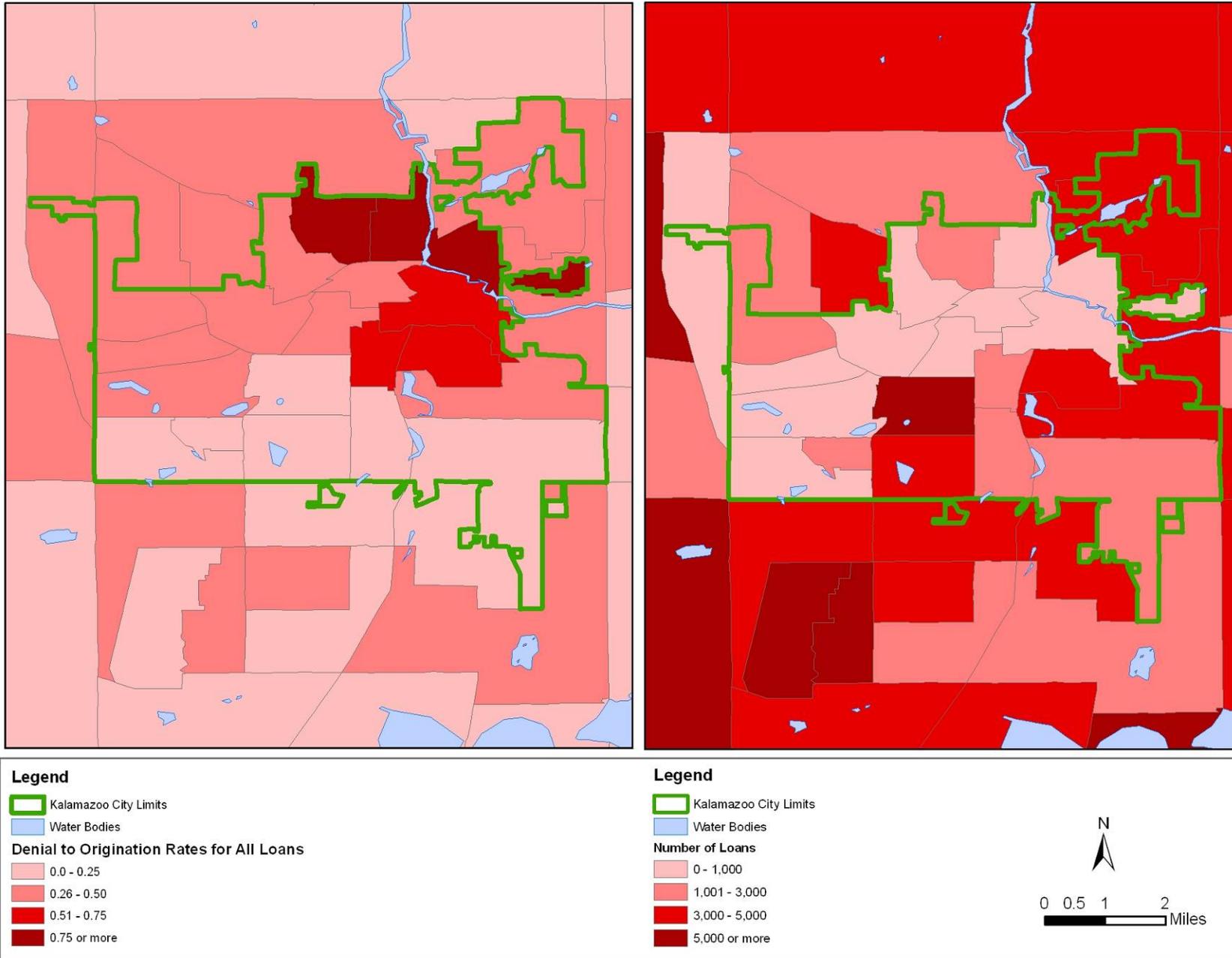
Chart 4.4

Origination Rates by Loan Purpose by Income of Census Tract



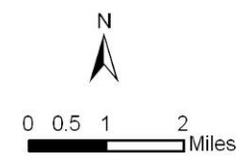
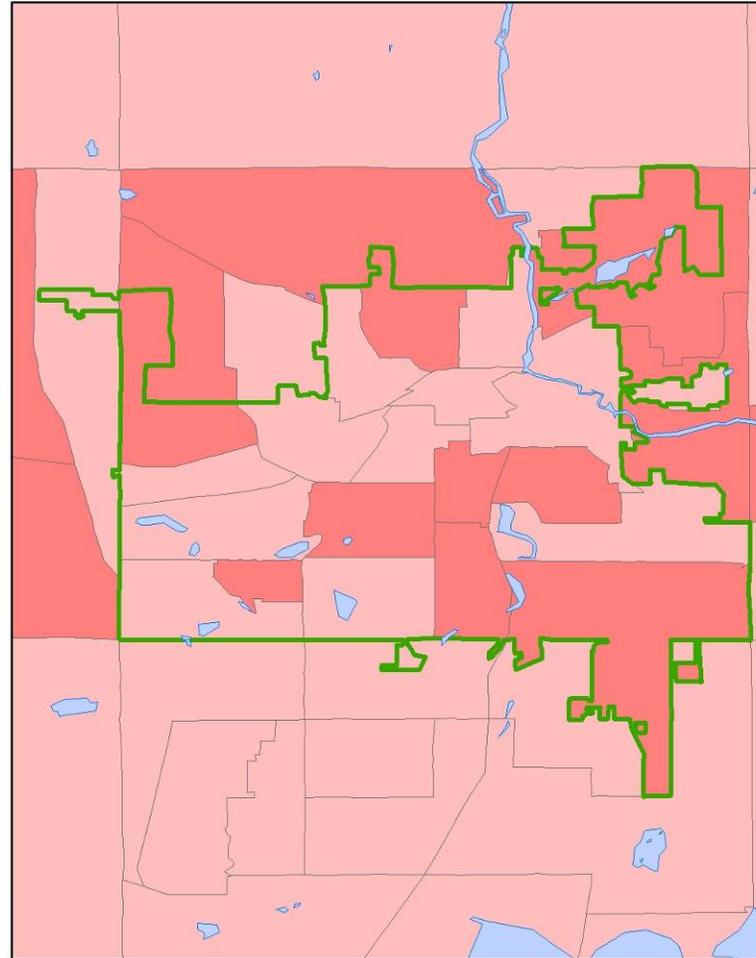
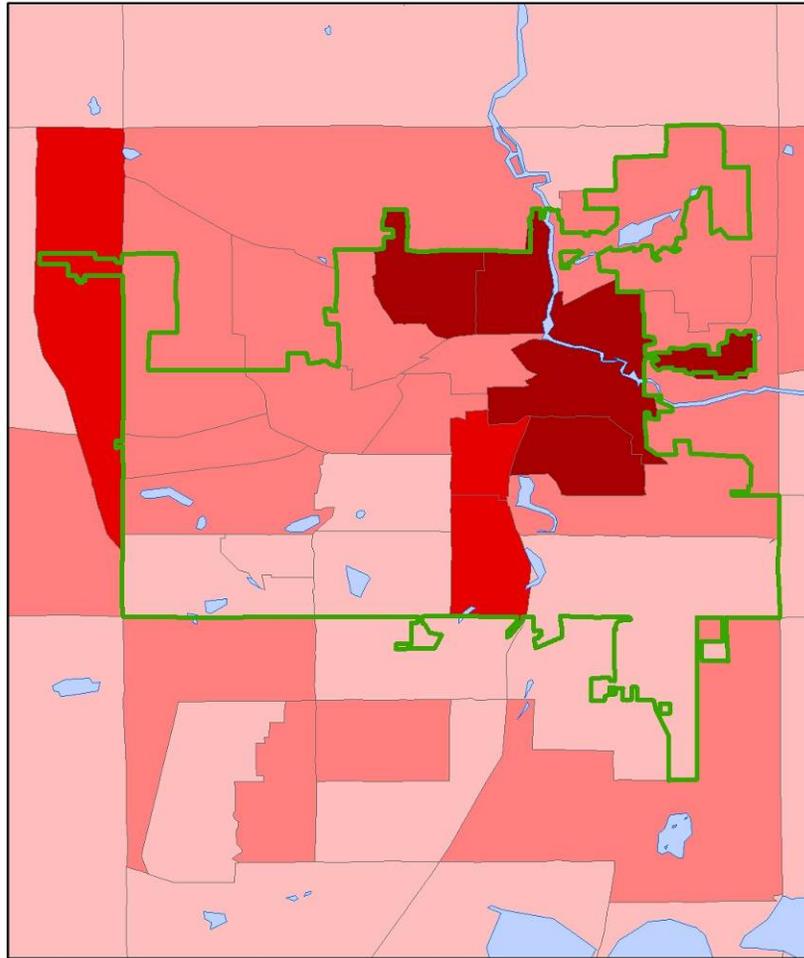
Map 4.1: Ratio of All Loan Denials to Originations, 1997-2006

Map 4.2: Total Number of Loan Applications, 1997-2006



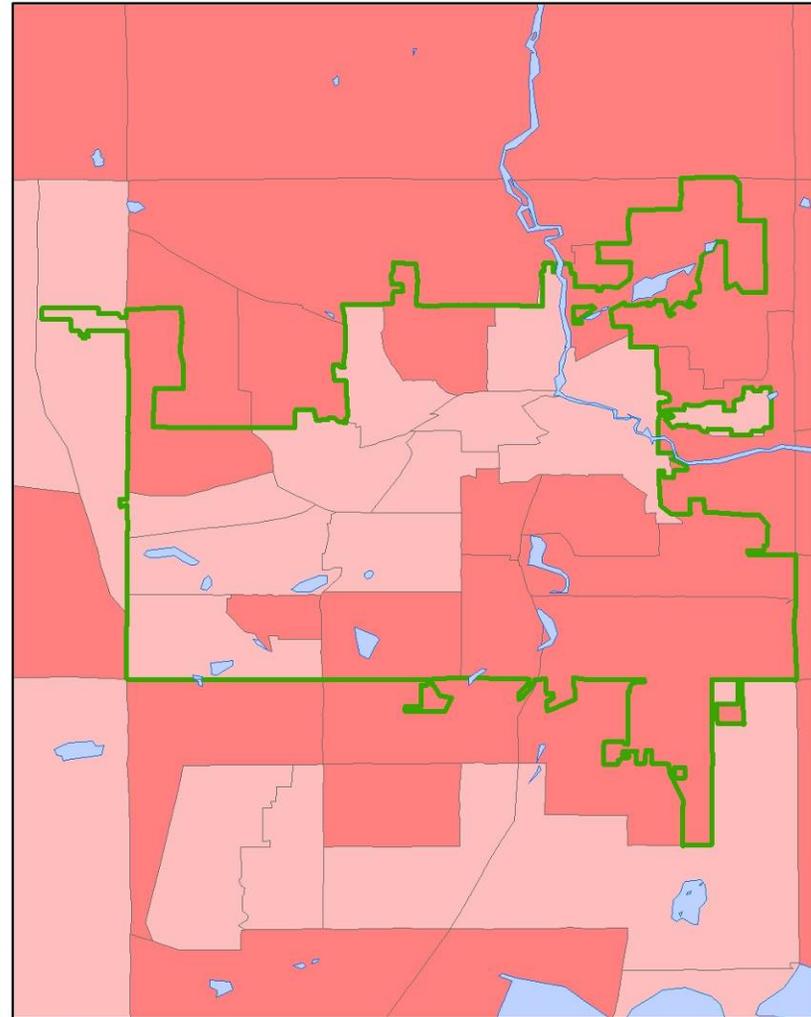
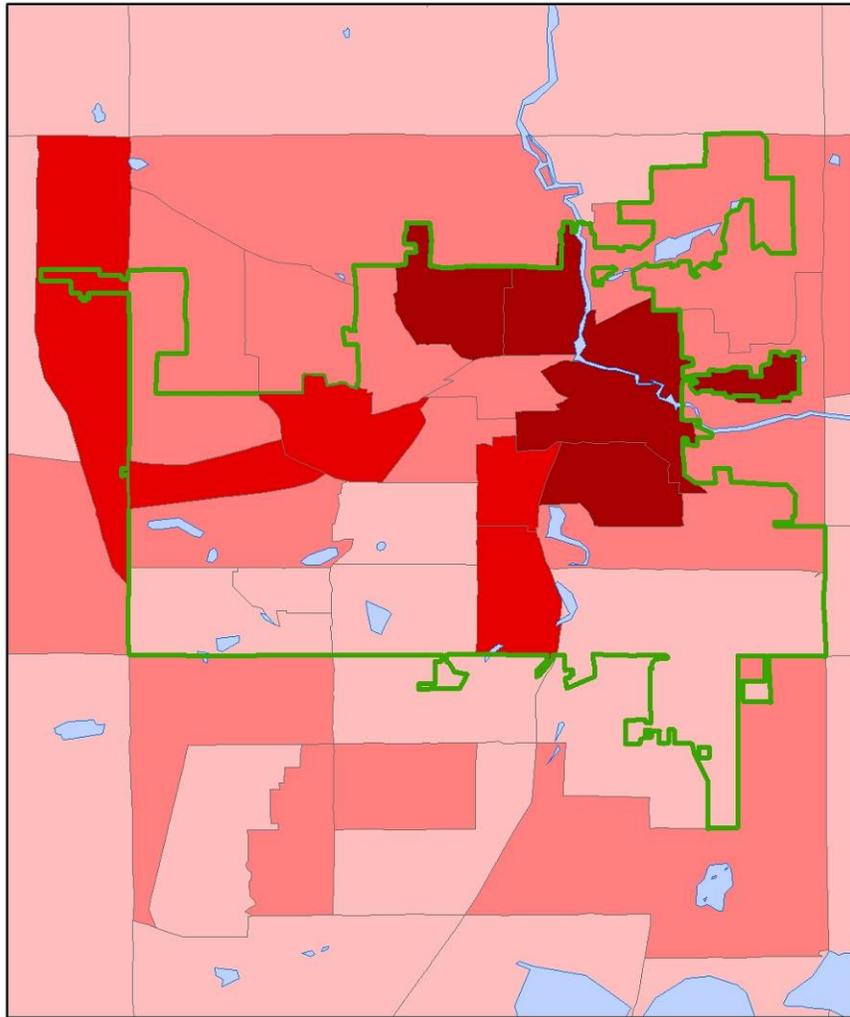
Map 4.3: Ratio of Conventional Loan Denials to Originations, 1997-2006

Map 4.4: Ratio of Government Backed Loan Denials to Originations, 1997-2006



Map 4.5: Ratio of Home Purchase Loan Denials to Originations, 1997-2006

Map 4.6: Ratio of Home Improvement Loan Denials to Originations, 1997-2006



Legend

 Kalamazoo City Limits

 Water Bodies

Denial to Origination Ratio

 0.0 - 0.25

 0.26 - 0.50

 0.51 - 0.75

 0.75 or more

Legend

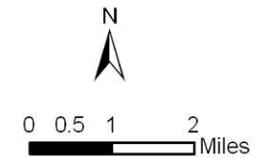
 Kalamazoo City Limits

 Water Bodies

Denial to Origination Ratio

 0.0 - 0.25

 0.26 - 0.50



Section 5: Fair Housing Index

Introduction

The Fair Housing Index is a measure developed specifically for Analyses of Impediments to Fair Housing. The index combines the effects of several demographic variables with Home Mortgage Disclosure Act (HMDA) data and maps the results by census tract. Data for ten variables, shown in the Fair Housing Index table are standardized and added to classify the conditions in various census tracts into degree of problems that may cause impediments to fair housing choice. The map provides a general indication of geographic regions within Kalamazoo where residents may experience various levels of housing discrimination or have problems finding affordable, appropriate housing. The discussion is highly technical and contains statistical techniques that may not be familiar or easily understood depending on the statistical experience of the readers. The findings presented at the end of this section are intended to provide a summary of the significant factors identified in this analysis.

5.1. Methodology

Data for ten variables were gathered, by census tract, for analysis. These ten variables were: percent minority, percent female-headed households with children, median housing value, median contract rent, percent of the housing stock constructed prior to 1960, median household income, percent of the population with less than a high school degree, percent of the workforce unemployed, percent of the workforce dependent upon public transportation to go to and from work, and the ratio of loan denials to loan originations for 1997 through 2006 from the Home Mortgage Disclosure Act (HMDA) report published by the Federal Financial Institutions Examination Council. With the exception of the HMDA data, all data were found in the 2000 U.S. Census of Population and Housing. Each variable contained data for every census tract in the city as defined by the 2000 U.S. Census.

When the database was complete, Pearson correlation coefficients (a statistical measure that indicates the degree to which one variable changes in relation to changes in another variable and range in value from -1 to 1) were calculated to assure that all variables displayed a high relationship to each other. It is important, in this type of analysis, that the variables selected are measuring similar aspects of the population. The results of the calculations showed that all variables displayed moderate to high degrees of correlation with other variables in the model, ranging up to 0.7855.

Once the relationship of the variables was established, each variable was standardized. This involves calculating a Z-score for each record by variable. For instance, for the variable percent minority, a mean and standard deviation were calculated. The mean for the variable was subtracted from data for each census tract and divided by the standard deviation. The result was a value representing the distance that the data point lay from the mean of the variable, reported in number of standard deviations. This process allows all variables to be reported in the same units (standard deviations from the mean) and, thus, allows for mathematical manipulations using the variables.

When all variables were standardized, the data for each census tract were summed with negative or positive values given to each variable to assure that effects were being combined. For instance, in a fair housing environment, high minority concentrations raise suspicions that there may be problems relative to housing conditions and housing choices in the area based on correlations between these variables found in the census data. Therefore, the percent minority variable would be given a negative value. Conversely, in areas of high housing values, the current residents are likely not having problems with fair housing choice. High housing value, therefore, would be assigned a positive value. Each variable was considered in this light and assigned an appropriate sign, thus combining effects. This new variable, the total for each census tract, was then standardized as described for the original ten variables above.

The standardized form of the total variable provides a means of identifying individual census tracts where fair housing choice is at high risk due to demographic factors most often associated with housing discrimination. With the data presented in standardized form, the results can be compared to the standard normal distribution, represented by a bell curve with a mean of 0 and a standard deviation of 1. The analysis shows High Risk areas as those census tracts with standard scores below -2.00 . Scores between -1.99 and -1 are designated Moderate Risk areas. Scores between -0.99 and 0 are reported as Low Risk and above 0 as Very Low Risk. The results are summarized in the following section.

It should be emphasized that the data used to perform this analysis do not directly report fair housing violations. The data were utilized in order to measure potential problems based on concentrations of demographic groups who most often experience restrictions to fair housing choice. Areas identified as having extreme problems are those where there is a high concentration of minorities, female-headed households, unemployment, high school dropouts, low property values, and, most likely, are areas where a large proportion of loans (conventional home mortgages, FHA or VA home mortgages, refinance, or home improvement) have been denied.

Included following the map is the correlation table (Table 5.1). MedValue is the median home value according to the 2000 census. MedRent is the median contract rent. XMinority is the percent minority. XFemHH is the percent female-headed household. XPre60 is the percent of housing built prior to 1960. MedHHI is the median household income. XLessHS is the percent of the population 25 years of age and older that has less than a high school degree. XUnemp is the unemployment rate for the population aged 16 and older considered being in the labor force. XPubTrans is the percent utilizing public transportation to get to and from work. AllRat is the ratio of denials to originations from the HMDA data from 1997 to 2006.

5.2. Findings

Looking first at the correlation table (Table 5.1), the ratio of home loan denials to originations had moderate to high negative correlations with the median income (-0.7598), median value (-0.7014) and median rent (-0.6666). These correlations indicate that lower income persons and persons from the areas with lower valued housing and lower rents have lesser likelihood of receiving loan originations.

The percentage not graduating from high school has a high positive correlation with the percentage of female-headed households with children (0.7253) and minorities (0.6363). Unemployment rate has a moderate to high positive correlation with the percentage of minorities (0.7243) and female-headed households with children (0.6066). Non-high school graduates have a moderate to high negative correlation with median housing value (-0.7473) and median household income (-0.6583). The percentage of female-headed households with children has a high positive correlation with the percentage of minority (0.8002) and a moderate negative correlation with median housing value (-0.6437). These correlations indicate that minority households tend to have more single mothers and these households have lower educational levels, lower incomes, and higher unemployment rates and these households are more likely to live in lower valued housing.

The percentage of population using public transportation has a high positive correlation with unemployment rate (0.7564) which indicated that unemployed persons are more likely to use public transportation.

As expected, there is a strong correlation between incomes and house values (0.8578) and rents (0.8257). Lower income groups live in much older housing stock (-0.6735). High negative correlation was noted between percent pre-1960 housing stock and median housing value (-0.8363) indicates that older housing stock has low values. The moderate positive correlation between percent pre-

1960 housing stock and percent minorities (0.6342) indicates that minorities tend to live in older housing stock.

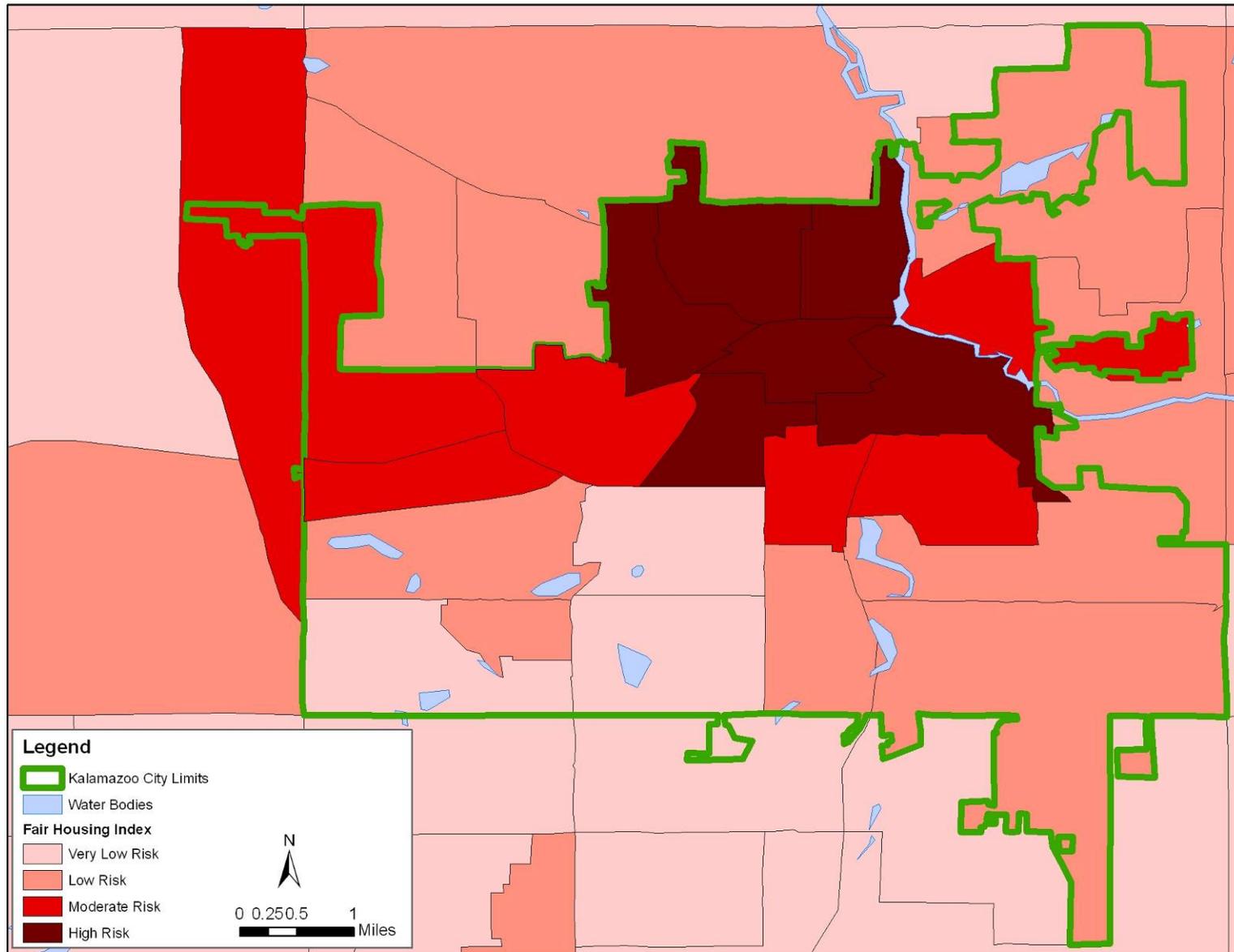
As indicated on Map 5.1, the census tracts designated as having high to moderate risk of fair housing related problems are concentrated in the northern and northeastern census tracts of Kalamazoo. These areas of greatest concern contain the oldest housing stock, most likely in poor condition, with lower housing values and rents, and are primarily occupied by minority households that have higher percentages of households headed by females with children than that of other census tracts or areas. There is a higher than average unemployment rate and lower than average level of educational attainment.

Table 5.1
Correlation Table of Index Variables

	AllRat	XPubTrans	XLessHS	XUnemp	MedHHI	XPre60	MedRent	MedValue	XMinority	XFemHH
AllRat	1.0000									
XPubTrans	0.1032	1.0000								
XLessHS	0.3333	0.2586	1.0000							
XUnemp	0.2707	0.7564	0.5555	1.0000						
MedHHI	-0.7598	-0.2154	-0.6583	-0.5246	1.0000					
XPre60	0.6734	0.3574	0.3745	0.4153	-0.6735	1.0000				
MedRent	-0.6666	-0.1867	-0.2657	-0.1953	0.8257	-0.3645	1.0000			
MedValue	-0.7014	-0.3420	-0.7473	-0.5377	0.8578	-0.8363	0.5475	1.0000		
XMinority	0.2543	0.4129	0.6363	0.7243	-0.5266	0.6342	-0.2222	-0.5436	1.0000	
XFemHH	0.3241	0.5198	0.7253	0.6066	-0.4326	0.5546	-0.2534	-0.6437	0.8002	1.0000

Variable	Definition
XFemHH	% Female Headed Households with Children, 2000
XMinority	% Minority, 2000
MedValue	Median Home Value, 2000
MedRent	Median Contract Rent, 2000
XPre60	% of Housing Built Prior to 1960, 2000
MedHHI	Median Household Income, 2000
XLessHS	% Less than High School Degree, 2000
XUnemp	% Unemployed, 2000
XPubTrans	% Taking Public Transportation to Work, 2000
AllRat	Ratio of Denials to Originations, All Loan Types, 1997 - 2006

Map 5.1: Fair Housing Index



Section 6: Impediments to Fair Housing and Remedial Actions

Introduction

This section draws on the information collected and analyzed in previous sections to provide a detailed look at fair housing impediments in Kalamazoo. Five major categories of impediments were analyzed: Real Estate Impediments; Public Policy Impediments; Banking, Finance, and Insurance Related Impediments; Socioeconomic Impediments; and Neighborhood Conditions as Impediments. There were no Public Policy Impediments identified. For each of the other categories, impediment were identified and presented along with a summary of the issues and impacts. Remedial actions are recommended to address each impediment. Some of the remedial actions presented in this section are conceptual frameworks for addressing the impediments. These actions will require further research, analysis, and final design by the City of Kalamazoo for implementation.

Evaluating fair housing concerns is a complex process involving diverse and wide-ranging considerations. The role of economics, housing patterns, and personal choice are important to consider when examining fair housing. Kalamazoo has relatively few impediments to fair housing. However, some issues were identified.

We applaud the City of Kalamazoo for its strides in supporting the creation of new affordable housing units and its commitment to neighborhood planning and program designed to strengthen its older and lower income areas. We also encourage the City and its nonprofit partners to expand these efforts into other neighborhoods as a primary means of expanding fair housing choice. The impediments identified in this section can be directly linked to and supported by data and analysis from the previous sections. In some instances, footnotes have been provided as links to the corresponding sections should the reader need to refer to those sections for more details.

6.1 Real Estate Impediments

Impediment: Inadequate supply of affordable housing.

Issues: According to the U.S. Census estimates, the number of housing units in Kalamazoo has fluctuated over the past three decades. Kalamazoo had 29,413 housing units in 2000 and 31,488 housing units in 1990, decreasing by 6.6 percent between 1990 and 2000. However, according to the American Community Survey estimates, the total number of housing units in the city increased to 30,597 in 2007.

Forty percent of all housing units were built prior to 1950, 15.6 percent were built between 1950 and 1959, 13.7 percent were built between 1960 and 1969, 15.3 percent were built between 1970 and 1979, and 15.4 percent were built after 1979.¹ This means that the approximately 85 percent of the City's housing stock is more than 30 years old, built prior to 1979. These units may contain lead-based paint and are more likely to be in need of repairs and maintenance.

The housing market was stagnant relative to homeownership and vacancy rates from 1990 to 2000. The vacancy rate for housing units in the city had a marginal increase of 1.5 percentage points from 2079 to 2385 units between 1990 and 2000. The homeownership rate marginally increased from 47.4 in 1990 to 47.7 percent in 2000, a 0.3 percentage point increase.

According to the 2000 Census data, the median home value for the single-family houses in the city was \$80,700 and the median contract rent was \$476 in 2000.² The average income required to qualify for a mortgage

¹ Table 1.9 Age of Housing Stock, Community Profile page 19

² Community Profiles page 18

based on the year 2000 median home price of \$80,700 is approximately \$20,000 to \$25,000 in household income. Therefore, home ownership is not attainable to many in the City with approximately 37.3 percent of White person households, 54.1 percent of African-American households and 40.4 percent of Hispanic households earning less than \$25,000 in annual income. Minority populations are most affected by limited income with 23.8 percent of African-Americans and 20.3 percent of Hispanics earning less than \$10,000 in household income and making homeownership nearly impossible for those households. The median home price of \$80,700 does not indicate that housing below that price and affordable housing for purchase to incomes below \$25,000 does not exist. However, we are concerned that there is an inadequate supply of affordable housing in standard condition and available to meet the fair housing choice in home ownership for persons of all incomes in Kalamazoo. The City's Community Planning and Development Department, through partnerships with non-profit organizations and local builders, has supported the development and financing of affordable housing to qualified buyers to help bring some balance to this need. However, these housing initiatives serve a small percentage of the overall needs of the population of very low, low, and moderate-income families.

A wide range of interconnected issues influence the development of affordable housing and housing affordability. These issues include the rapidly rising cost of land, materials, and construction; a lack of income; development fees; or the investment needed to rehabilitate substandard housing. This combination of rising costs and the lack of affordability for lower income groups, elderly and renters has made attainable housing harder to secure. This was reflected in the perceptions of focus group participants who voiced particular concern that the supply of affordable homes for working families is in short supply in certain areas where it is needed which is only adding to the overall affordable housing shortage.

Impacts: Affordable housing impacts the structure and stability of neighborhoods. Income diversified neighborhoods and neighborhoods that are accessible to a mix of incomes have shown a greater potential to maintain themselves as a viable community. That is, people are most likely to maintain housing they own or when it is their housing of choice. In 2000, there was a significant gap between the percentages of minorities owning their own homes compared to Whites.³ The Home Mortgage Disclosure Act data indicates that minority buyers have lower loan origination rates than Whites and their origination rates are disproportionate when compared with each minority population's percentage of Kalamazoo's population. Origination rates throughout Kalamazoo were also lower in low income census tracts when comparing groups with the same income seeking to purchase in high income tracts. This means that minority loan applicants and lower income census tracts that often have higher concentrations of minorities are facing a lack of access to capital for home loan financing. The lack of affordable housing and investment dollars limits housing choice and, to the extent that household income is correlated with housing value, this limitation is even greater.⁴ High percentages of minorities fall into lower income groups.⁵ An analysis of household income and cost burden factors suggests that there is a strong need for affordable housing in the City. Without adequate affordable housing options lower income and minority households tend to be cost burdened with regard to their monthly mortgage (principal, interest, taxes, insurance, and utilities) or rent payments.⁶

³ According to the 2000 Census 52.7 percent of White households, 34.4 percent of African-American households and 42.7 percent of Hispanic households owned their own home in Kalamazoo (Table 1.10 on page 19 of the Community Profiles.)

⁴ Fair Housing Index Table 5.1 on page 76 shows a strong correlation between lower income groups relative to housing values and rents.

⁵ According to the 2000 Census, Table 1.3 page 11, 12.2 percent of White households, 23.8 percent African-American households, and 20.3 percent of Hispanic households earned less than \$10,000 in 2000.

⁶ According to Comprehensive Affordability Strategy (CHAS) data, Table 1.11 on page 26 of the Community Profile in year 2000, 75.9 percent of very low-income renter-occupied households are 30% cost burden, and 77.5 percent of very low-income owner-occupied households paid more than 30% of their household income on housing expenses.

Remedial Actions: Kalamazoo should continue to work with local developers and non-profit organizations to expand the stock of affordable housing. Attention should be given to increasing the production of new affordable housing units and assistance toward the purchase and renovation of housing in existing neighborhoods. Greater emphasis should be placed on capacity building and technical assistance initiatives aimed at expanding non-profit, faith based organizations and private developers' production activities in targeted areas of the City.

In an effort to expand local resources, we also recommend that the City Planning Staff lead an effort to research and consider one particular policy change, inclusionary zoning, as one alternative means of promoting balanced housing development. Inclusionary zoning has been used in other communities to ensure that some portion of new housing development is affordable. This becomes important as higher income individuals move into a neighborhood. As housing prices rise, low to moderate-income residents may be displaced without the use of Inclusionary Zoning which helps to create mixed-income communities. Mixed-income communities broaden access to services and jobs and provide openings through which low-wage earning families can buy homes in appreciating housing markets and, as a result, accumulate wealth.

Inclusionary Zoning, also known as **inclusionary housing**, can be implemented by enacting provisions in the local Zoning or Development Ordinances that require a given share of new construction houses be affordable to people with low to moderate incomes. The term *inclusionary* zoning is derived from the fact that these ordinances seek to counter *exclusionary* zoning practices which aim to exclude affordable housing from a jurisdiction through the zoning code. In practice, these policies involve placing restrictions on 10% - 30% of new houses or apartments in a given development in order to make the costs of the housing affordable

to lower income households. The mix of "affordable" and "market-rate" housing in the same neighborhood is seen as beneficial by many, especially in jurisdictions where housing shortages have become acute. Inclusionary Zoning is becoming a common tool for local jurisdictions in the United States to help provide a wider range of housing options than the market provides on its own. The zoning code must be amended to include this provision and can also be applied when residential planned unit development zoning is requested. Implementation is triggered at the building permitting phase. The importance of Inclusionary Zoning is that Kalamazoo could increase the resources for affordable housing through private developer built units or developer dollars allocated in lieu of building units. Currently affordable housing programs are primarily funded through the City's CDBG and HOME programs. Inclusionary Zoning could generate additional resources for affordable housing since the federal grant programs cannot address all of the City's needs for affordable housing.

Inclusionary Zoning Ordinances vary substantially between jurisdictions.

These variables can include:

- Mandatory or voluntary ordinance. While many cities and counties require inclusionary housing, many more offer zoning bonuses, expedited permits, reduced fees, cash subsidies, or other incentives for developers who voluntarily build affordable housing.
- A percentage of units dedicated as inclusionary housing. This varies quite substantially between jurisdictions, but appears to range between 10-30%.
- Minimum size of development that the ordinance applies to. Most jurisdictions exempt smaller developments, but some require that even developments incurring only a fraction of an inclusionary housing unit pay a fee.
- Whether inclusionary housing must be built on site. Some programs allow housing to be built nearby, in case of hardship.

- Whether fees can be paid in lieu of building inclusionary housing. Fees-in-lieu allow a developer to "buy out" of his/her inclusionary housing obligation. This may seem to defeat the purpose of inclusionary zoning, but in some cases the cost of building one affordable unit on-site could purchase several affordable units off-site.
- Income level or price defined as "affordable," and buyer qualification methods. Most ordinances seem to target inclusionary units to low- or moderate-income households, earning approximately the regional median income or somewhat below. Inclusionary housing typically does not create housing for those with very low incomes.
- Appearance and integration of inclusionary housing units. Many jurisdictions require that inclusionary housing units be indistinguishable from market-rate units, but this can increase costs.
- Longevity of price restrictions attached to inclusionary housing units, and allowable appreciation. Ordinances that allow the "discount" to expire essentially grant a windfall profit to the inclusionary housing buyer, preventing that subsidy from being recycled to other needy households. Therefore, many programs restrict annual price appreciation, often tying it to inflation plus market value of home improvements, striving to balance the community's interest in long-term affordability with the homeowner's interest in accruing equity over time.

The City, in coordination with the Chamber of Commerce, should encourage major employers and lenders to design and implement Employer-Assisted Housing (EAH) programs, encouraging employers to work with employees in their efforts to purchase housing. In some instances, the City and the Chamber will have to help raise the awareness among local employers and increase their understanding that not all wage levels permit ready entry into homeownership, without some sort of subsidy. This is important in that the private sector and employment community often view the use of subsidies to help low to moderate income

households achieve homeownership as a public responsibility. In reality, with limited resources, the city government can only assist a small percentage of those in need. The Chamber can play a critical role in researching this issues and encouraging local businesses, Kalamazoo School System, universities and local hospitals to implement such programs for their employees. Employer-Assisted Housing programs benefit employers, employees, and the community. Employers benefit through greater employee retention. Employees receive aid to move into home-ownership. Ultimately, communities benefit though investment in the neighborhoods where the employers and employees are located. The most common benefits provided by employers are grants, forgivable loans, deferred or repayable loans, matched savings, interest-rate buy downs, shared appreciation, and home-buyer education (provided by an employer-funded counseling agency). Successful EAH programs use a combination of some of the benefits listed above. One program that has met with success was developed by Fannie Mae, which not only has their own EAH program, but also helps employers implement EAH programs. Fannie Mae's own EAH program has made it possible for 2,200 of its employees to become homeowners. Seventy-six percent of all Fannie Mae employees own their own homes, compared with a national average of 68 percent.

The City of Waco, Texas has implemented an EAH program and made it eligible to all city employees. Under their program, employees with incomes at 80% or below the median income are provided subsidies utilizing CDBG funds. Employees with incomes of 80% to 120% of median income are assisted with general fund dollars. Mortgage subsidies are provided at mortgage closing. Employees must reside in the home as their primary residence for 5 years or repay the subsidy. The amount of the subsidy is added to the employee's W-2 withholdings as income.

6.2 Banking, Finance, Insurance and other Industry related impediments

Impediment: Impacts of the Sub-Prime Mortgage Lending Crisis and increased Foreclosures.

Issues: The housing foreclosure rates across the country continue to soar and the impacts are being felt in Michigan as well. Numerous web sites are providing numerical counts and locations for homes with foreclosure filings across the country and for jurisdictions in the State of Michigan. RealtyTrac.com lists the State of Michigan in the top five states with the most foreclosure filings for January 2009 with 11,418, and the City of Kalamazoo with 1,015 for that same period. RealtyTrac.com reports the average sales price of a foreclosure in Kalamazoo at \$38,835. This compares to a state average sales price of \$74,027. The web site reports 90,893 properties listed for foreclosure in the State of Michigan in various stages of foreclosure as of March 2, 2009. Foreclosures may also soon become an issue affecting properties that received financing from the City's CDBG and HOME programs.

The rise in foreclosure rates may be related to both the rise in unemployment rates and the rise and fall of the sub-prime lending market. The Kalamazoo – Portage MSA reported an unemployment rate of 8.7% in December 2009, an increase of 50.5% from December 2008. This meant significant loss of income for a number of households. Sub-prime lending was also a factor with lenders offering loans to less-creditworthy borrowers, borrowers that lack sufficient down-payments to afford the property, and risk based borrowers that speculate on the real estate market by acquiring real estate with no equity investment/down-payment in hopes that the property will appreciate in value over a short period of time. These loans are generally offered at higher interest rates or through products involving adjustable interest rates and balloon payments. When

the borrower cannot meet the increased mortgage payment they default and the property goes into foreclosure.

Neighborhood Housing Services, NHS, and Neighbor Works America are two national housing intermediaries that have created innovative programs in Chicago, Baltimore, and New York City designed to reduce the impacts of foreclosures and sub-prime lending in those affordable housing markets.

Remedial Actions:

Create initiatives that reduce mortgage defaults and foreclosure rates among low and moderate income home buyers.

The City should work with National Non-Profit Housing Intermediaries and HUD to develop a program that reduces the mortgage default rate and foreclosure rates among low and moderate income home buyers and existing home owners. The program should consider the following as features of such an initiative.

Develop a loan default prevention program based on providing counseling to affected borrowers, assistance with identifying alternative products that helps borrowers avoid sub-prime lending, and assistance with re-negotiation for more favorable terms for borrowers with sub-prime loans. This program would identify government assistance programs that also serve to assist distressed borrowers.

Evaluate the feasibility of creating a maintenance and replacement reserve account for affordable home buyers assisted with the City's federal funds to insure that funds are escrowed to help cover the cost of major repairs.

Evaluate the feasibility of creating a mortgage default and foreclosure prevention account for affordable home buyers assisted with federal funds to insure that funds are escrowed to help cover the cost of unexpected income/job loss and to write down interest rates.

Evaluate the feasibility of creating and implementing post purchase support programs in conjunction with non profit development partners to provide housekeeping and preventive maintenance training, and organize neighborhood programming such as associations, crime watch and other initiatives aimed at strengthening and maintaining neighborhood stability.

Impediment: Low number of loan applications from minorities.

Issues: A look at the Home Mortgage Disclosure Act data for Kalamazoo indicates that the overall experience of minority groups within the home mortgage loan market differs from that of Whites. We recognize that removal of this impediment is not solely within the control of the government, and that finance industry policies, consumer credit worthiness, and economic trends all impact this issue. However, it is important that the City play a dual role of providing programming and leadership that impacts the problem. The disparity between the loan origination rates among White applicants and minorities, and the extent to which the aforementioned factors contribute to their denial rates must be addressed. This is evidenced in our HMDA analysis that shows African-Americans and Hispanics accounting for the second and third highest percentages of the City's population in year 2000, but their percentages of loan originations much lower compared to their percentage of population in the City.⁷ White applicants had the highest number of applications and

⁷ As shown in HMDA Table 4.2, on page 63, Whites constituted 70.8 percent of the City's population and 85.7 percent of the home loan originations between 1997 and 2006. African-Americans were 20.6 percent of the population and 8.0 percent of the originations. Hispanics (based on ethnicity rather than race so

highest percentage of the population. The number of home purchase loan applications for Whites was 38,335 with an origination rate of 50.2 percent compared to 5,498 applications and a 32.6 percent origination rate for African-Americans, and 1,236 applications for Hispanics and an origination rate of 31.1 percent. Origination percentages for all types of home loan applications combined, including refinance and home improvements, were higher for Whites when compared to minority applicants.⁸ It should be noted that as of 2006, there have been even further increases in the minority population as a percentage of Kalamazoo's total population, widening the disparity in lending.

Impacts: The lower percentage of loan applications among minority groups and lower income households indicates that fewer minority households are purchasing homes or improving housing conditions. Disparity in lending practices suggests that a higher proportion of Hispanic and African-American households will remain renters, thereby limiting the potential for these citizens to build equity through homeownership opportunities. Higher percentages of lower income groups and minority households also tend to live in older housing stock in the City. A lack of home improvement loans and a higher percentage of renters among low income households in minority concentrated areas suggest that persons living in such areas are not likely to receive improvements to the home they are living in and therefore more likely to be living in substandard housing. This leads to the further deterioration of the housing stock and the evolution of minority concentrated neighborhoods. These factors combined reduce the chance that a neighborhood can sustain itself and its resident can provide the homeowner and rental maintenance necessary to maintain stable neighborhoods.

population percentages exceed 100%) made up 4.3 percent of the population and 1.7 percent of the loan originations. Population based on 2000 Census.

⁸ As shown in the HMDA Analysis Tables pages 62 - 63, which compared all loan purposed applications by race and ethnicity, show higher origination rate for White applicants compared minorities.

Remedial Actions: Kalamazoo should continue its homebuyer outreach and education efforts in order to increase the number of minorities who apply for mortgage loans. The City should encourage financial institutions and mortgage companies to expand their homebuyer support services to more people as a means of improving the origination rates among minorities. The City could initiate this recommendation by discussing findings in this study relative to the HMDA data with lending institutions and ask them to develop strategies to improve the success rate among loan applications submitted by minority applicants.

Financial literacy is an important factor in the successful management of personal finances, which sets the stage for all of life's important purchases such as house, car, etc. A well ordered personal budget prepares households to qualify with the best credit terms, eliminates the major obstacles in the home buying process, and enables households to build equity through homeownership. An early start in managing personal finances can prepare an individual for those major purchases. Kalamazoo should encourage lenders and the Kalamazoo School System to expand homeownership and credit counseling classes as part of the high school curriculum in order to help prevent credit problems rather than attempting to correct credit profiles in order to successfully qualify an applicant for a home loan origination.

One example is a program launched by the Texas Credit Union Foundation, the Texas Cooperative Extension, and the National Endowment for Financial Education (NEFE) on March 29, 2007 in Dallas, Texas. Project NEFE is part of a statewide collaborative initiative to bring the accredited High School Financial Planning Program along with comprehensive training to schools across Texas, all free of charge. Signed into law in 2005 by Gov. Rick Perry, House Bill 492 by Rep. Beverly Woolley (R-Houston), requires school districts and open-

enrollment charter schools to incorporate instruction in personal financial literacy beginning with the 2006-2007 school years. The National Endowment for Financial Education (NEFE) has provided both leadership and funding for this effort. The NEFE curriculum will be used by participating Texas schools and that curriculum meets the learning objectives and standards approved by the Texas Education Agency and State Board of Education to meet the requirement.

Since 1984, The National Endowment for Financial Education (NEFE) has been addressing youth financial literacy with the nationally known NEFE High School Financial Planning Program® (HSFPP). The HSFPP consists of a seven unit student manual, instructor's guide that offer a large, continually growing collection of resources, articles, and financial tools for teachers, students, and parents. To learn more about the HSFPP, visit <http://hsfpp.nefe.org>.

Units Include:

- Your Financial Plan: Where It All Begins
- Budgeting: Making the Most of Your Money
- Investing: Making Money Work for You
- Good Debt, Bad Debt: Using Credit Wisely
- Your Money: Keeping It Safe and Secure
- Insurance: Protecting What You Have
- Your Career: Doing What Matters Most

The City should encourage the school district to apply for NEFE funding as a possible source of financing for credit education programs in City schools. Continued emphasis should also be placed on homeownership and credit education provided through bilingual instructors and counselors to address the needs of Spanish speaking residents.

Impediment: Predatory lending and other industry practices.

Issue: Predatory lending practices continue to be a widespread concern in Kalamazoo. Anecdotal comments and perceptions were cited, by persons interviewed and those attending the focus group sessions, suggesting unfavorable lending practices.⁹ The focus group participants' perception is that predatory lenders are replacing banks and other reputable financial institutions as lenders of choice in poor neighborhoods. These perceptions were also supported by a growing number of pay-day loans, check-cashing, and title-loan stores observed in the city. Focus Group participants were also concerned with extremely high interest rates being charged by not only neighborhood predatory lenders, but traditional banks and financial institutions for credit cards, auto loans, and other consumer loans. It should be noted that in some instances, predatory lending is fueled by poor credit rating, limited credit history, or lack of understanding of the borrowers as to alternative lending options.

Appraisals that fail to provide adequate comparables to support mortgages on new homes built in low income neighborhoods was cited by focus group participants as a problem. Nonprofit organization representatives voiced concern that adequate comparables are sometimes an issue for new homes built and financed utilizing CDBG and HOME program funds, because of the limited number of new homes being built in lower income areas. Appraisers and builders participating in the Focus Group sessions were of the perception that some recent homes, particularly those built in minority concentrated areas, are sometimes priced lower than comparable units in other areas due to comparable limitations in industry appraisals. In other instances, participants were concerned with underwriting criteria used by lenders, failure to adjust ratios or provide funding with more favorable terms, or simply the

⁹ Focus Group Sessions pages 51-52

influences of the foreclosure rates and sub-prime lending on mortgage approvals and higher private mortgage insurance for small loans.

Impact: Predatory lending practices often result in a lower-income household losing their home, automobile or other collateral. In some cases, Focus Group participants cited instances where homeowners who had already paid off their original mortgage were losing their home when used as collateral on a loan for a small fraction of the home's value. The analysis revealed limited success of minority and lower income applicants in accessing financing from traditional banks and credit unions, and lower approval rates for applicants at all income levels when submitting loan applications to buy property in lower income census tracts. Perceptions of persons contributing to this analysis is that some residents are more likely to utilize the services of sub-prime lenders and check-cashing stores that may charge exorbitant interest rates and have severe default penalties. Predatory lending may further impair an individual's credit and monopolize more of a low-income person's monthly income with high interest rates and finance charges, leaving less money for housing and necessities. Some consumers felt that they had little recourse to address adverse industry practices that impact their housing choice.

Remedial Actions: The City should encourage lending institutions to insure that banking services are extended to all low-income census tracts and to provide greater outreach to the low income and minority communities to lessen the use of predatory lenders. The emphasis should be on offering products and services that help establish or reestablish checking, saving, and credit accounts for residents that commonly utilize check cashing services. This may require establishing "fresh start programs" for those with poor credit and previous non-compliant bank account practices. Lending institutions should therefore be encouraged to

tailor products to better accommodate the past financial deficiencies of low income applicants with credit issues.

The City should encourage the Chamber of Commerce or other local entity to consider establishing a consumer hot line for receiving complaints relative to industry practices cited. Perhaps the consumer hotline function could be a collaborative effort between the City and Chamber.

City Officials should work with the appraisal industry to perform comparability studies to identify real estate comparables that more realistically reflect the values of homes being built in low income areas and areas that have limited product on the ground that can be used for comparison in establishing real estate values.

6.3 Socio-Economic Impediments

Impediment: Poverty and low-income among minority populations.

Issues: For many households, low or no income is a major factor preventing their exercise of housing choice. Minority populations in the City as a whole and minority concentrated areas of the City are confronted with even higher percentages of their population living in poverty than Whites.¹⁰ The 2000 Census shows a poverty rate of 20.1 percent for White households, while African-Americans and Hispanic households in the City had poverty rates of 32.5 percent and 29.5 percent respectfully. Of equal concern is the poverty rate for children under the age of five years. The poverty rate for young children was 43.1 percent for African-Americans, 20.7 percent for Hispanic, and 13.8 percent for White children under the age of five. Incomes for minority populations in the City were

¹⁰ Table 1.4 Poverty status by Race on page 12 of the Community Profiles

also low disproportional to that of White households. In 2000, 36.2 percent of African-American households had incomes below \$15,000 compared to 27.9 percent for Hispanics and 20.6 percent for Whites.¹¹ As some of the lower-income areas revitalize, many homes will be priced above any reasonable rate for purchase or rent by these households. Additionally, as property values rise, minorities' housing choices tend to be even more limited to areas with the oldest housing stock, in the poorest conditions, and compounded by a myriad of other issues.

Factors such as family size, education and job skill levels, and unemployment are also major contributors to the plight of these households.

Impacts: Households experiencing a severe lack of income and those unemployed typically must accept housing in the poorest areas of town. Housing tends to be segregated by income class and sometimes by race or ethnicity. Where the housing stock is most likely in poor condition, there are higher reported incidents of criminal activity, and opportunities for improving a person's quality of life are low. Children from these households grow up in an environment that sometimes dooms them to replicate their community's living standards, continuing the cycle of poverty for generations to come. Focus group participants voiced a perception that certain areas of the City are home to a disproportionate number of low-income persons, living in substandard multifamily housing developments. Participants indicated that the concentration of poverty is not only a concern with regard to social equity and the plight of renters, but poverty is also having a significant impact on the condition and quality of single family housing in the neighborhoods where there are high concentrations of home owners. In areas where a majority of homeowners cannot afford routine maintenance, poor housing conditions may quickly

¹¹Chart 1.3 Household Income by Race on page 10 of the Community Profiles

become the prevalent state of affairs. Lack of job opportunities and lack of sufficient income to afford decent housing were cited as concerns. Both crime and perception of crime were discussed as critical issues that are hindering some residents from living in various areas of Kalamazoo.

Remedial Actions: The Chamber of Commerce should continue to work on expanding job opportunities through the recruitment of corporations, the provision of incentives for local corporations seeking expansion opportunities, assistance with the preparation of small business loan applications, and other activities whose aim is to reduce unemployment and expand the base of higher income jobs. A particular emphasis should be to recruit jobs that best mirror the job skills and education levels of those populations most in need of jobs. For Kalamazoo, this means jobs that support person with high school education, GED's and in some instances, community college or technical training. These persons are evident in the workforce demographics and in need of jobs paying minimum wage to moderate hourly wages. The City should also continue to support agencies that provide workforce development programs and continuing education courses to increase the educational level and job skills of residents. The goal should be to increase the GED, high school graduation, technical training, and college matriculation rates among residents. This will help in the recruitment of industry such as "call centers", clerical and manufacturing jobs. Call centers and customer service centers where employees are recruited to process sales or provide customer service support for various industries have become more and more attracted to areas with similar demographics to that of Kalamazoo. The combination of lower priced land, government incentives for relocation, large college student populations and the local workforce to support their industries, have all become incentives in recent years.

The emergence of call center and customer service operations are evidenced by the recent developments along Interstate 635 near the Dallas Fort Worth Airport and along the Dallas North Tollway in Dallas and Plano, Texas where Capital One has located its Auto Finance call center and customer service operations.

We recommend that the City, in conjunction with the Chamber of Commerce, become more active in supporting and recruiting industries that match the demographics of the populations most unemployed, as a means of improving poverty rates, incomes and home ownership rates in the City. Recruiting such industries can assist in increasing the City's tax base while serving to provide the necessary income for more persons to earn a living wage and improve their ability to qualify for home ownership.

6.4 Neighborhood Conditions Related Impediments

Impediment: Limited resources to assist lower income, elderly and indigent homeowners maintain their homes and stability in neighborhoods.

Issue: While most of Kalamazoo's neighborhoods are relatively stable today and its housing stock in fair to good condition, area conditions will decline if routine and preventive maintenance does not occur in a timely manner. The population is aging, which means more households with decreasing incomes to pay for basic needs. This increase in elderly households coupled with the steady rise in unemployment, the cost of housing and the cost of maintaining housing means that many residents will not be able to limit their housing related cost to 30 percent of household income and still maintain their property. Rental property owners will be faced with increasing rents to pay for the cost of maintenance and updating units rendering rental units unaffordable to households as well.

Government programs utilizing HOME and CDBG HUD funding and other sources impact only a small percentage of those in need of assistance. Increased support from volunteers and community resources will be needed to close the gap between total needs and resources available.

Impact: Neighborhoods and homeowners and renters must devise a means for residents and landlords to keep pace with the maintenance demands of housing, an aging housing stock, and support those persons unable to maintain their properties on their own. This will enhance and support a healthy neighborhood “Image and Identity” and help attract new residents and retain existing residents and businesses. An essential component of this recommendation will include becoming healthier, sustainable neighborhoods, able to meet the essential quality of life needs of its residents and to improve the physical character of the neighborhood. In some neighborhoods, these attributes are viewed as negative and uninviting both internally by its residents and externally by the community at large. Some neighborhoods are viewed as unsafe and a haven for criminal activities. Whether this is reality or a perception, it has a detrimental effect on the image of the neighborhood either way.

Neighborhood assets must be protected and improved. Structures should be strategically removed if found to no longer contribute to the well being of the community. Maintaining vacant lots, including clearing weed, litter, and junk, and maintaining tree growth, would immediately improve the appearance of neighborhoods. Other amenities such as providing streetscape enhancements in the medians and pedestrian areas along residential streets, adding street lighting, sidewalks, shrubs, and new development on vacant lots, would significantly improve the neighborhoods. Most of all, there is a need to revive the “sense of community and trust” and encourage participation and cooperation from residents to maintain their homes, yards, and surroundings and to actively

participate in community empowerment activities such as Crime Watch, neighborhood associations and self help initiatives.

Remedial Actions:

The City should design and implement a Centralized Program of Self-Help Initiatives based on volunteers providing housing assistance to designated elderly and indigent property owners and assist them in complying with municipal housing codes. This will require an organized recruiting effort to gain greater involvement from volunteers, community organizations, religious organizations/institutions and businesses as a means of supplementing available financial resources for housing repair and neighborhood cleanups.

While there have been successful initiatives of this nature, initiated and funded both by the City of Kalamazoo and nonprofit agencies, a more comprehensive effort, perhaps coordinated by the City, needs to be designed and implemented that fully utilizes the resources of the community and area businesses. The program will be based on a case management system where the select needs of designated area property owners are matched with volunteer resource teams capable of solving the city code violations and other needed exterior repairs for select properties. Requests for assistance would be received from code enforcement officials, housing program administrators, social service agencies, community institutions, and homeowners. Priority will be given to those owners immediately affected by an active code compliance case, a targeted block or area project, and those with life threatening or uninhabitable conditions.

Eligibility for assistance will require verification of income or status as elderly or disabled. Levels of assistance would be based on the specific needs to be addressed and the ability of the property owners and their

family to assist in the effort. The City would fund a Program Coordinator designated to conduct home visits of each program participant, evaluate the appropriateness for volunteers to perform the work, and determine and advise the homeowner of their responsibilities in support of the effort. The Program Coordinator, upon securing a match between volunteers and property owner, will coordinate project dates, materials, supplies, and project support for the day of the project. Again, some of these activities may have been initiated in the past, so in some instances, our recommendations are that activities be continued, offer an enhanced level of programming, or that the City and Housing Authority apply for funds as they become available. Activities that could be considered for the centralized self-help initiatives program include:

- **Increase self-help initiatives such as "fix-up," "paint-up," or "clean-up" campaigns and "corporate repair projects".** In order to increase resources available for these efforts, neighborhood residents, religious institutions, community organizations, individuals, and corporations would be recruited to participate in the repair to homes occupied by elderly, disabled, and indigent homeowners through organized volunteer efforts involving their members and employees.
- **Implement a Youth Build and Repair Program in conjunction with the local school district or the Kalamazoo County Public Housing Commission.** Youth Build is a U.S. Department of Housing and Urban Development (HUD) program that teaches young people how to build new homes and repair older ones. HUD offers competitive grants to cities and non-profit organizations to help high-risk youth, between the ages of 16 and 24, develop housing construction job skills and to complete their high school education.

- **Organize a “Compliance Store”** where home builders, building supply stores, merchants, and celebrities, such as radio and television personalities, are used to demonstrate simple, cost effective ways to make improvements to houses and donate building supplies for use in self-help projects. The supplies and storage facility for supplies could be provided to enrollees by building supply stores, contractors, and hardware stores.

- **Organize "adopt-a-block" and "adopt-an-intersection" campaigns** where neighborhood groups, residents, scout troops, and businesses adopt key vistas and intersections to maintain and implement beautification projects, such as flower and shrub plantings and maintenance.

- **Creating Community Gardens as interim uses on select vacant lots** providing an opportunity for neighborhood residents to work together to increase the attractiveness of their neighborhood. Formats for community gardens range from attaching simple window boxes to homes along a street reflecting a common theme, coordinating garden planting, or converting a vacant lot that may previously have been an eyesore in the neighborhood into a flower or vegetable garden tended by members of the community. Naturally, ownership of a vacant lot is an issue to be resolved before gardening begins. The City Assessor can provide information on the ownership of the property, including a mailing address. If the lot is privately owned, permission to use the lot must be received from the owner. If the property is owned by the City or expropriated, ownership of the property might be transferred to a local non-profit organization or neighborhood association. While the costs of plant materials and supplies are an important consideration for community gardens, many nurseries and home improvement stores offer discounts for community improvement projects.

Section 7: Oversight, Monitoring and Maintenance of Records

Introduction

This section summarizes the ongoing responsibilities of the jurisdiction relative to oversight of efforts to implement the remedial actions recommended in Section Six of this report. It also sets forth the monitoring and maintenance of records procedures that will be undertaken to insure that implementation efforts can be evaluated and accomplishments reported to HUD in a timely manner.

Oversight and Monitoring

The AI process has been conducted under the oversight and coordination of the City of Kalamazoo, Community Planning and Development Department (CPDD), with the support of an independent consultant.

The Community Planning and Development Department will be responsible for ongoing oversight, self-evaluation, monitoring, maintenance and reporting of the jurisdictions' progress in implementing the remedial actions and other efforts to further fair housing choice. The CPDD will therefore provide oversight of the following activities.

■CPDD will evaluate each of the recommendations and remedial actions presented in this report, and insure consultation with appropriate City departments and outside agencies and organizations to determine the feasibility and timing of implementation. Feasibility and timing of implementation will be based on City policies, fiscal impacts, anticipated impact on or remedy to the fair housing impediment identified, adherence to federal, state and local regulations, and accomplishment of desired outcomes. CPDD will provide recommendations for implementation to the City Manager based on this evaluation.

■CPDD will continue to insure that all sub-grantees receiving CDBG funds have an up-to-date Affirmative Fair Housing Marketing Plan; display a Fair Housing poster and include the Fair Housing Logo on all printed materials as appropriate; and provide beneficiaries with information on what constitutes a protected class member and instructions on how to file a complaint.

■CPDD will ensure that properties and organizations assisted with federal, state and local funding are compliant with uniform federal accessibility standards during any ongoing physical inspections or based on any complaints of non-compliance received by the City.

■CPDD will expand its Fair Housing outreach and education activities by continuing to support the Fair Housing Center of Southwest Michigan's annual community fair or workshop; providing fair housing information brochures at public libraries and city facilities; and sponsoring public service announcement with media organizations that provide such a service to local government.

■CPDD will incorporate fair housing requirements in its grant program community outreach and training sessions.

Maintenance of Records

In accordance with Section 2.14 in the HUD Fair Housing Planning Guide, CPDD will maintain the following data and information as documentation of the City's efforts to affirmatively further fair housing choice.

■A copy of the AI and any updates will be maintained and made available upon request.

■A list of actions taken as part of the implementation of this report and the City's Fair Housing Plan will be maintained and made available upon request.

■CPDD will submit an update of its progress to HUD at the end of each program year.