TRANSFORMING THE HOUSING CRISIS IN RICHMOND

MARCH 2009

By the Richmond Equitable Development Initiative (REDI)
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**Photo Credits**

Students from Richmond High School, Richmond, California

Active Leaders of Today (A LOT), Nevin Community Center, Richmond California

Revised: March 18, 2009
ABOUT THE RICHMOND EQUITABLE DEVELOPMENT INITIATIVE

REDI is a collaborative of advocacy, research and grassroots community based organizations working together in Richmond on environmental justice and social justice issues. REDI encourages community involvement in local and regional decision-making processes, to ensure that policies and programs result in concrete benefits for Richmond’s low-income communities and communities of color.

For the past five years, REDI has worked together to promote public policy that supports a living wage, economic development that provides quality jobs for local residents, tenant protection legislation, sustainable affordable housing and equitable development in Richmond’s updated General Plan.

REDI’s vision for Richmond is a community in which every resident has access to affordable housing, and safe, reliable public transit that connects them to living-wage jobs, quality education, a clean environment, health care and other essential services.

REDI’s organizations represent thousands of Richmond’s diverse residents.

As a coalition, REDI collaborative partners lead campaigns and projects, provide research and technical assistance, and organize community stakeholders around REDI’s key campaigns and projects.

REDI’s Collaborative and Project Partners include:

- ACORN – Richmond
- Asian Pacific Environmental Network Laotian Organizing Project (LOP)
- Communities for a Better Environment (CBE)
- Contra Costa Faith Works!
- Contra Costa Interfaith Supporting Community Organization (CCISCO)
- East Bay Alliance for a Sustainable Economy (EBASE)
- Greater Richmond Interfaith Program (GRIP)
- Urban Habitat
EXECUTIVE SUMMARY

The national economic and housing crisis has ravished communities all across the United States. This crisis continues to impact millions of people at all levels from those who are spending less on household items or foregoing a vacation, to those who have lost their jobs because of massive layoffs and even more to those who have lost their homes in foreclosure.

California has been especially hard hit by the economic and housing downfall with a record high 10 percent unemployment rate and nearly 250,000 homes in foreclosure. More than 400,000 new foreclosures are projected this year in California.

The Richmond Equitable Development Initiative (REDI) prepared this report to show how the national crisis is impacting communities in Richmond, California and to emphasize the need for solutions that minimize this critical situation, especially for the city’s most vulnerable populations. Richmond has a long history of being a welcoming city where many working families can find an affordable home to buy or rent. Now, more than ever, is the opportunity to develop short and long term solutions that allow Richmond to continue to be a place for those who want to call it home.

As of 2009, more than 2,000 homes in Richmond are currently in foreclosure with a projected 3,000 more to be in foreclosure next year. This second wave of foreclosure impacts both homeowners and renters. Zip codes 94801 and 94804 have the largest distribution of foreclosed and bank-owned properties. These zip codes include the neighborhoods of North and East with 235 bank-owned properties; Iron Triangle with 216 bank-owned properties; Belding Woods with 146 bank-owned properties; and Coronado with 88 bank-owned properties. The analysis also shows that while the foreclosure crisis has greatly impacted the city’s central neighborhoods, the full depth of this crisis is visible throughout the entire city. Moreover, the vast majority of the most impacted neighborhoods have a large African American and Latino population, many of whom have low-to-moderate incomes.

Data in this report indicates that the racial and ethnic disparities that resulted from subprime lending practices were targeted at communities of color. These subprime loans are more likely to go into default and result in foreclosure.

African Americans were more likely to be sold subprime loans by Wells Fargo, Bank of America and Countrywide, while Latinos were more likely to be sold subprime loans by Chase and by the industry as a whole regardless of income. Asian American and white Richmond residents were more likely to be sold prime loans or loans that had better loan terms.

The banks with the largest number of foreclosed homes include: Wachovia with 561, Washington Mutual with 310, Countrywide (now owned by Bank of America) with 306, JP Morgan Chase with 220 and Wells Fargo with 134 properties.

Finally, this housing crisis illuminates the need for accountability from financial institutions and comprehensive public policy reform at all levels of government that result in keeping families in their homes, the revitalization of neighborhoods and long term policy that promotes affordable housing and healthy neighborhoods for Richmond residents.
REDI’s Housing Platform
REDI believes that the following platform provides opportunities to keep families in their homes, revitalize neighborhoods, and create opportunities for long-term affordable housing and environmentally healthy communities.

Keep Families in Their Homes

- We want banks held accountable for modifying loans that are affordable and sustainable. We urge Congress to enact bankruptcy reform as quickly as possible.

- We call on the State of California and the Department of Corporations to provide clear and transparent data on which banks are complying with the state moratorium on foreclosures and which banks are implementing loan modifications that help keep families in their homes.

- We call on Contra Costa County to adopt new legislation which will require all banks to identify, disclose and record all of the investors on foreclosed properties and to fine them $1,000 a day if they do not comply. This money will go into a County fund to support job training programs that rehabilitates homes and makes them “green” through energy efficiency and sustainable materials.

- We urge the State of California to pass legislation that protects tenants impacted by foreclosure including allowing families who are paying rent to remain in their homes and requiring any notices or legal documents regarding the property to be written in the native language of the tenant.

Revitalize Neighborhoods

- We call on all banks to bundle their foreclosed properties and to sell them at a reduced rate to the City of Richmond, non-profit housing developers and a community land trust.

- We call on the City of Richmond to work with nonprofit organizations, the county and other community stakeholders to establish a community land trust to keep homes permanently affordable for Richmond families.

- We call on the City of Richmond to aggressively fine all banks that have unsecured properties $1,000 a day in compliance with State Senate Bill 1137. This revenue can help increase job training and employment opportunities for local Richmond residents to secure, maintain, rehabilitate and “green” all abandoned properties.
- We call on the City of Richmond to establish a revolving homeownership loan fund that will help Richmond families acquire vacant foreclosed properties – especially those families who were the victims of predatory lending. We call on the banks to agree to support this fund and invest in our community.

**Create Long Term Sustainability for Affordable Housing**

- We urge the City of Richmond to adopt a Just Cause/Fair Rent ordinance that will provide basic protection for renters from unfair evictions and unjust price gauging.

- We call on the City to modify its existing inclusionary housing ordinance so that more units are available for those of low-or-very low incomes and to increase the in-lieu fee so that it covers the actual cost to construct an affordable unit.

**Create a Safe and Healthy Living Environment**

- We urge the City of Richmond to adopt policies and programs that rehabilitates substandard rental housing without displacing existing residents or raising their rents. For the City’s existing program, we call on the city to make available to the public an annual report that provides an update on the number of rental units inspected, general conditions of units and an evaluation of the overall effectiveness of the program.

- We urge the city to administer a rehabilitation assistance program to ensure that rental units are maintained and rehabilitated to comply with the building regulations, health code and health and safety standards of the Richmond Municipal Code.

- We call on the city to create a fund that educates tenants on their legal rights and protections related to building regulations, health and safety code standards, complaints and enforcement.

- We urge the city through its General Plan to implement policies that ensure that contaminated lands near residential areas or areas planned for residential use are fully remediated to state health standards and to ensure that environmental cleanup and improvement assistance funded with city resources benefit low-income communities.
INTRODUCTION

As America’s economy continues to decline and housing foreclosures continue to rise, local communities and working families are struggling to save themselves from total despair. Richmond has been greatly impacted by this crisis but it is not alone, as California and the Bay Area have been especially hard hit. This crisis brings to the forefront the importance of having short and long term policies and strategies for safe, affordable housing, and access to quality jobs.

Richmond, a city of 33 square miles with an estimated population of 103,468, has been severely impacted by the foreclosure crisis. This document outlines the current situation in regards to home foreclosures in Richmond and proposes solutions actionable on multiple levels including the private sector, government and individuals. By providing a complete picture of the foreclosure crisis, this document will equip public officials, community organizers, business owners, at-risk homeowners and rental tenants with the tools to understand and address this issue.

This document begins with a problem statement examining the scope of the foreclosure crisis on the national, state, county and city levels. Trends will be identified that underscore the scale of the problem, highlighting both current and projected foreclosures, effects on the rental market, banks with the highest foreclosures and testimony from individuals impacted by the current foreclosure crisis. Included are maps that highlight the concentration of foreclosures in the county, illustrating the unique scale of the problem faced by Richmond. These maps will also include information about individual Richmond neighborhoods that outline the different stages of foreclosure.

With the problem defined, proposals for housing solutions will be identified, focusing on minimizing the impact of the foreclosure crisis on Richmond’s neighborhoods. Recommendations will be outlined for stopping preventable foreclosures, protecting tenants, revitalizing neighborhoods, enforcing codes, improving the physical environment, and providing affordable housing. Solutions will emphasize increased capital access, workforce development and local housing and economic development goals that support and benefit low-income and communities of color. The report will close with policy recommendations for federal, state, county, city and corporate entities.

The national news coverage and political attention to the foreclosure crisis has risen as the scale of the housing crisis has spread to impact higher income populations and suburban areas. However, such recent concern fails to recognize the fact that for the last several years in lower income cities and neighborhoods, the foreclosure crisis has been an evolving phenomenon, due both to irresponsible lending practices that disproportionately impact African Americans and Latinos and a lack of support for long-term affordable housing policy for working families. It is the goal of this document to frame the crisis in the clearest, most accurate light possible, using current data and personal interviews to capture the scale of a crisis that is changing daily. It will demonstrate the critical need for public policy at all levels that supports safe, integrated, affordable housing and quality living-wage jobs.

Finally, for all of the concern about the foreclosure crisis, it is important not to ignore the existing challenges that have existed in Richmond for decades. The current crisis mandates policies that can have an immediate impact on struggling residents. Policy initiatives should also look towards the medium and long-term future by continuing to focus on pertinent issues such as tenant protection and inclusionary zoning. In the flurry of activity surrounding foreclosures, Richmond has long been a home and a destination for families seeking housing affordability in the high-cost Bay Area and so policy goals should consider the broad scope of Richmond’s challenges without sacrificing one interest for another.
PROBLEM STATEMENT

Scale of Foreclosure Crisis in the U.S.

The home foreclosure crisis is a national phenomenon. A recent study found that one in every 275 homes across the nation was in foreclosure, but in many places the number is much higher. Americans are increasingly unable to pay their mortgages and the problem is worsening by the month. In the fourth quarter of 2008, loans that were at least 30 days past due increased to a record 7.88% on a seasonally adjusted basis, up from 6.99% in the third quarter and 5.82% a year earlier.

Analysts estimate that as many as six million families could lose their homes over the next three years in the absence of government action. Rust Belt states such as Michigan have experienced disproportionately high foreclosure rates, as economic conditions such as the decreased demand for American manufactured cars has led to waves of layoffs. Also affected are Sun Belt states such as Florida, Nevada and Arizona, in which overbuilt housing in suburban communities has outstripped demand. Analysts do not anticipate an improvement in the foreclosure crisis within the next several years, as 16% of all mortgages (totaling 8.1 million) will come under foreclosure in the next four years; if unemployment increases to 9%, total foreclosures could top 9 million nationwide.

A lack of affordable housing opportunities helped spur America’s current crisis. The loosening up of lending standards to accommodate homeownership goals increased demand, which in turn raised home prices so sharply that middle-income people could not afford these high priced mortgages as interest rates began to fluctuate. At the same time the construction of affordable housing was often not a popular or politically supported idea. The crisis is not only defined by geography, but by race as well.

In 2004, minority homeownership surged past 50% for the first time in history, with a foreclosure rate below 1%. However, the last several years have brought skyrocketing foreclosure rates in the minority communities of cities like Philadelphia, Chicago and Atlanta, in some instances doubling. In Chicago from 1993 to 2005, foreclosure rates increased by threefold with the hardest hit communities being non-white neighborhoods with minority populations of 80% or more accounting for 65% of the total number of foreclosures. The minority homeownership gains seen in the past are back on the decline with African American homeownership rates nationwide falling back under 50%. Black borrowers will lose between $61 billion and $122 billion, while Hispanic borrowers will lose between $76 billion and $129 billion. A 2008 United for a Fair Economy report indicates that the current foreclosure crisis will result in the greatest loss of wealth for people of color in recent U.S. history.

Common Terms

HMDA (Home Mortgage Disclosure Act): 1975 Congressional act requiring lending institutions to disclose all data regarding all loans made. Data is available at: http://www.ffiec.gov/hmda/

Subprime Mortgages: Mortgages sold to borrowers who do not meet the minimum qualifications for prime mortgages. Prime mortgages have lower interest rates and are considered less risky, because prime borrowers have established a certain credit history. In contrast, subprime borrowers have often not established a high enough credit score, and because lenders see them as a higher risk, interest rates are higher.
Part of the blame lies with the “subprime” mortgage industry, which aggressively placed new homeowners into financial situations that became unmanageable due to shifting interest rates. Minority communities are more likely to be sold subprime mortgages, despite the fact that many minority families are qualified for conventional mortgages with lower, fixed interest rates. African American and Hispanic applicants receive higher interest rates 30% more frequently than white applicants, creating what some believe is a separate and unequal mortgage market.

Although there are some standard protocols in the assignment of interest rates and mortgage qualifying amounts, the determination of default risk is something that calls for a greater degree of subjective deliberation, and the resulting patterns have shown that minorities are treated less fairly in this regard.

**Scale of Foreclosure Crisis in California**

The current economic crisis is severely impacting California. In 2007, California home foreclosures saw a 200% increase over 2006, and in 2008, nearly a quarter of a million foreclosures occurred in California, up 158% from 97,000 in 2007. According to the Mortgage Bankers Association, foreclosures in California are at a 25-year high. These events have forced displaced homeowners to search for housing alternatives. From September 2007 to September 2008, requests for homeless assistance increased 26%. Bankruptcy filings in California increased 80% between October 2007 and October 2008. The state’s unemployment rate reached a record high in January 2009, with more than 1 in 10 workers unemployed, the highest rate in 26 years.

With economic instability one of the contributing factors to the foreclosure crisis, California’s ailing business climate moves in tandem with the housing market. Particularly hard-hit areas include regions of high suburban growth, such as the Inland Empire and Central Valley. Additionally, urban areas with high minority populations also represent a significant percentage of California’s foreclosures. On the other hand, housing markets in upper income areas, such as neighborhoods in San Francisco, the East Bay hills, and wealthier parts of Los Angeles County, have held their values more steadily. This illustrates the fact that the foreclosure crisis is disproportionately affecting California’s middle and lower income populations.

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**Common Terms**

**Stage 1 foreclosure:** Homeowner falls behind in mortgage payments, and lender issues a NOD (Notice of Default). This is mailed to the borrower and registered with the County Recorder. The borrower has a 90-day “reinstatement period” in which to reactivate the loan.

**Stage 2 foreclosure:** If the homeowner is unable to remediate the loan, the lender begins the property auction process, and issues an NTS (Notice of Trustee’s Sale) that is published in the local newspaper and posted to public view. This document stipulates the time and place of the sale, and the lender has the right to receive the full proceedings from the sale.

**Stage 3 foreclosure:** If the home fails to sell at auction, it moves into the full ownership of the lending institution. This is referred to as an REO (Real Estate Owned) property.
Table (1) illustrates the extent of the foreclosure crisis in California and the potential for this crisis to continue into the foreseeable future. Homeownership rates are expected to decline as banks take ownership of foreclosed properties, and home prices will fall as demand suffers due to lack of available credit and economic uncertainty. This will result in a $68 billion loss in statewide economic activity.

Chart (1) below illustrates the drastic rise in the number of California homeowners who are in severe risk of default and foreclosure.

### Table 1

<table>
<thead>
<tr>
<th>Projected Foreclosures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected new foreclosures in 2009</td>
<td>462,100</td>
</tr>
<tr>
<td>Projected homes lost through foreclosure over next four years</td>
<td>1,538,600</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing Market Decline to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in state homeownership rate (2004-3Q 2008)</td>
</tr>
<tr>
<td>Change in home prices (3Q 2008 vs. 3Q 2007)</td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Change in home sales (3Q 2008 compared to 3Q 2007)</td>
</tr>
<tr>
<td>Decline in housing contribution to state economy (gross state product) 2005-2008</td>
</tr>
</tbody>
</table>


### Chart 1

**Loans With Two or More Payments Past Due in California**

Scale of Foreclosure Crisis in Contra Costa County

In 2007, Contra Costa County had the highest year-on-year foreclosure rate increase of all Bay Area counties, at 290%. Foreclosure rates were especially high in the east Contra Costa County cities of Antioch, Pittsburg, Brentwood and Oakley and the west Contra Costa County cities of Richmond and San Pablo. Countywide, 82% of neighborhoods with African American populations of more than 30% experienced high foreclosure rates, as did 82% of neighborhoods where more than 31% of loans are subprime. Neighborhoods with high Hispanic populations (above 45%), median income below $72,000, and a low percentage of college graduates have also experienced a disproportionate amount of foreclosure activity. Given that 48% of Richmond’s households earn less than 50% of the area median income, the city accounts for a significant amount of the county’s total foreclosures.

The foreclosure crisis hits Contra Costa County at a very difficult economic time. The unemployment rate is 9.3%, with some projections forecasting a high of 12%. The county’s foreclosure crisis was precipitated by an alarming drop in median home values in one year, from $463,000 to $220,000, with 3,135 foreclosure notices delivered in the final three months of 2008, ten times the number of foreclosures in San Francisco.

Contrary to public perception, the deflated market value of homes is unlikely to help homeowners, due to decreased loan-to-value ratios. Previously, loan originators were willing to loan up to 90%, or even more, of the total value of the home. However, due to the current economic situation – higher unemployment, falling home values, and secondary mortgage market apprehension – banks will be hedging their loan default risk by loaning a much lower percentage of the home value. Therefore, consumers will need to provide a much larger down payment. Table (2), below, indicates that a lower home price is no guarantee that a consumer will more easily qualify for a mortgage, because banks will be averse to loaning high percentages of a home’s value (out of concern about fluctuating home values).

Table 2

<table>
<thead>
<tr>
<th>Home value</th>
<th>Down payment (percent)</th>
<th>Down payment (dollar amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 and before</td>
<td>$463,000</td>
<td>10%</td>
</tr>
<tr>
<td>2008 and beyond</td>
<td>$220,000</td>
<td>30%</td>
</tr>
</tbody>
</table>


While the crisis is preventing prospective buyers from taking advantage of lower home values, homeowners currently experiencing foreclosure are often unable to refinance at favorable interest rates because they do not qualify. Many loan servicers are unwilling to refinance if the value of the house is more than 5% below the current mortgage balance. Furthermore, if the original value of the mortgage exceeded $417,000, it is over the conforming limit to be purchased by Fannie Mae and Freddie Mac, and ineligible for refinance under some bank mortgage plans. Rep. Jackie Speier, D-San Mateo, has proposed legislation to raise the eligible mortgage amount to $729,750 in more expensive areas, such as the Bay Area, where more than 60 percent of home mortgages are jumbo loans or those above $417,000.
Without the option of purchasing a less expensive home, or being able to refinance their current homes, foreclosed families have few places to turn for relief. According to Joseph Villarreal, executive director of the Housing Authority of Contra Costa County, there is a five-year waitlist for affordable housing vouchers, clearly illustrating a severe demand-supply imbalance, with 40,000 families applying for only 350 vouchers.29

In west Contra Costa County, Richmond is the heart of the crisis. Map (1), below, illustrates stage 3 foreclosures (homes that were not auctioned and are currently in bank ownership). This map illuminates the scale of the crisis in Richmond’s northern and western neighborhoods.

Map 1

Stage 3 Foreclosures by Zip Code (2008)

Source: Center for Community Innovation, University of California – Berkeley, February 2009
Scale of Foreclosure Crisis in Richmond

Richmond has been especially hit hard by the foreclosure crisis, with more than 2,000 homes owned by banks. Foreclosed properties have reduced the value of surrounding homes, encouraged blight and have wreaked havoc on property taxes and the services they support. The current housing crisis is expected to get worse before it gets better.30

The beauty of Richmond is its race and ethnic diversity. According to the 2000 census, the largest racial group was African American (36.06% of the population), followed by White (31.36% of the population), Hispanic/Latino (26.53% of the population), and Asian (12.29% of the population). Many of the homes in foreclosure had subprime loans, which has disproportionately impacted African Americans and Latinos regardless of income.

In Richmond, an estimated 20% of renters and 15% of homeowners are paying more than the 30% of their income on housing, reflecting a decades old challenge in affordability.31 As the economy moves through increasingly severe cycles, the unstable employment situation of many families exposes them to financial risk, increasing the likelihood of mortgage default. As of February 2009, 6.3% of Richmond homes were in foreclosure.32 The highest number of bank-owned homes is in zip code 94801, which includes North Richmond, Belding Woods and the Iron Triangle neighborhoods. Map (2) illustrates the distribution of stage 2 foreclosures (homes at-auction) across Richmond from 2005-2008.

Map 2

Stage 2 Foreclosures, 2008
Projected Richmond Foreclosures

Projections for future foreclosure rates in Richmond present a more alarming picture. By March 2010, a total of 3,001 homes are expected to be in foreclosure, representing 9.8% of the total number of homes in the city. Foreclosures correlate strongly with the existence of subprime mortgages (mortgages that have higher interest rates than conventional mortgages). Given that zip code 94804 has the largest concentration of subprime mortgages in Richmond, neighborhoods that are in imminent danger of suffering from increasing foreclosure rates include Santa Fe, Coronado, Cortez-Stege, Pullman, Marina and Plaza. Analyzing how these projections affect Richmond’s minority and low-income populations presents unique policy challenges to address neighborhood development. Tables (5) and (6) present Richmond’s demographic data by race and income across various zip codes, while tables (3) and (4) document foreclosure predictions for the same zip codes.

Table 3

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Residential Parcel</th>
<th>Bank-Owned</th>
<th>Current Distribution of Foreclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>94801</td>
<td>6,945</td>
<td>622</td>
<td>32.3%</td>
</tr>
<tr>
<td>94803</td>
<td>3,703</td>
<td>330</td>
<td>17.1%</td>
</tr>
<tr>
<td>94804</td>
<td>11,558</td>
<td>575</td>
<td>29.9%</td>
</tr>
<tr>
<td>94805</td>
<td>4,472</td>
<td>115</td>
<td>8.0%</td>
</tr>
<tr>
<td>94806</td>
<td>3,794</td>
<td>284</td>
<td>14.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,472</strong></td>
<td><strong>1,926</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: City of Richmond Finance Department, City of Richmond Mid-Year Budget Presentation, 17 February 2009.

Table 4

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Residential Parcel</th>
<th>Current Bank Owned</th>
<th>Current Distribution of Foreclosures</th>
<th>Homes with SubPrime Mortgages</th>
<th>Estimated Future Bank Owned</th>
<th>Estimated Future Distribution of Foreclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>94801</td>
<td>6,946</td>
<td>622</td>
<td>32.3%</td>
<td>608</td>
<td>714</td>
<td>23.8%</td>
</tr>
<tr>
<td>94803</td>
<td>3,703</td>
<td>330</td>
<td>17.1%</td>
<td>94</td>
<td>282</td>
<td>9.4%</td>
</tr>
<tr>
<td>94804</td>
<td>11,558</td>
<td>575</td>
<td>29.9%</td>
<td>1299</td>
<td>1341</td>
<td>44.7%</td>
</tr>
<tr>
<td>94805</td>
<td>4,472</td>
<td>115</td>
<td>6.0%</td>
<td>144</td>
<td>339</td>
<td>11.3%</td>
</tr>
<tr>
<td>94806</td>
<td>3,794</td>
<td>284</td>
<td>14.7%</td>
<td>142</td>
<td>324</td>
<td>10.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,472</strong></td>
<td><strong>1,926</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>2287</strong></td>
<td><strong>3001</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: City of Richmond Finance Department, City of Richmond Mid-Year Budget Presentation, 17 February 2009.
When analyzing these statistics in the context of each zip code’s demographic data, including racial/ethnic origin (Table 5) and median family income (Table 6), it is apparent that zip codes with higher percentages of foreclosure distribution (94801 and 94804) also have the largest minority populations and the lowest income. The data indicate that low-income, underrepresented populations of Richmond will continue to be disproportionately affected by foreclosures.

### Table 5

**Population by Race/Ethnicity (Percentage)**

<table>
<thead>
<tr>
<th></th>
<th>94801</th>
<th>94803</th>
<th>94804</th>
<th>94805</th>
<th>94806</th>
</tr>
</thead>
<tbody>
<tr>
<td>White alone</td>
<td>30%</td>
<td>51%</td>
<td>27%</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Black or African American alone</td>
<td>34%</td>
<td>16%</td>
<td>45%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Asian alone</td>
<td>6%</td>
<td>18%</td>
<td>10%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>24%</td>
<td>5%</td>
<td>12%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>Two or more races</td>
<td>5%</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: US Census 2000

### Table 6

**Median family income in 1999 by race (In 1999 dollars)**

<table>
<thead>
<tr>
<th></th>
<th>94801</th>
<th>94803</th>
<th>94804</th>
<th>94805</th>
<th>94806</th>
</tr>
</thead>
<tbody>
<tr>
<td>White alone</td>
<td>$44,601</td>
<td>$71,422</td>
<td>$54,385</td>
<td>$56,123</td>
<td>$48,021</td>
</tr>
<tr>
<td>Black or African American</td>
<td>$25,768</td>
<td>$69,844</td>
<td>$38,423</td>
<td>$46,528</td>
<td>$46,581</td>
</tr>
<tr>
<td>Asian</td>
<td>$32,031</td>
<td>$72,792</td>
<td>$50,469</td>
<td>$57,614</td>
<td>$57,124</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>$36,677</td>
<td>$44,712</td>
<td>$37,004</td>
<td>$42,065</td>
<td>$46,335</td>
</tr>
<tr>
<td>Two or more races</td>
<td>$42,730</td>
<td>$66,776</td>
<td>$44,306</td>
<td>$36,458</td>
<td>$43,556</td>
</tr>
</tbody>
</table>

Source: US Census 2000
**Foreclosure Impacts on the Rental Market**

The rental housing market has been severely affected by the foreclosure crisis. As landlords themselves have suffered foreclosures, rental tenants have been evicted. This exerts a constrictive effect on the rental housing market from both the demand and supply sides because more people are searching for rental housing (both evicted renters and foreclosed homeowners), while the supply of rental units is decreasing. The result is a “seller’s market” in which landlords with non-foreclosed properties can raise rents, severely damaging progress made in affordable housing initiatives. In 2000, Richmond’s rental housing vacancy rate was 3.9%, below the desirable threshold of 5%. A lower rate means that landlords are less challenged to find renters, and therefore have more price control. Lack of affordability is complicated by the fact that most new housing development is targeted at higher income groups; between 1997 and 2003, merely 12 of 889 multifamily units constructed in Richmond were affordable.

**Unemployment, City Finance and the Foreclosure Crisis**

As the economy continues to spiral downward and projections for foreclosures increase, less affluent including Richmond are particularly vulnerable to these economic pressures and conditions. A major factor contributing to the foreclosure crisis is unemployment, and Richmond workers have suffered job losses due to the ailing economy. While the state unemployment rate was the nation’s fourth highest in December 2008, at 9.3%, Richmond’s was 12.4%. Even the 2000 census showed that unemployment in Richmond citywide at 8% and even higher in the Iron Triangle neighborhood at 13% was much higher than that of the East Bay at 4% so current unemployment is sure to significantly impact Richmond as the economy dives. Chart (2) shows the year-on-year growth of initial claims for unemployment insurance in both Contra Costa County and Richmond.

**Chart 2**

**Percentage Growth in Initial Claims for Unemployment; Contra Costa County (Dark Green) and Richmond (Light Green), 2008**

Instability in the housing market is not only directly affecting Richmond residents through lost property value and foreclosures, but also the financial health of the City of Richmond. The projected revenue from property taxes for the 2008-2009 Fiscal Year was budgeted for $34,797,258, but is now projected to drop
to $33,076,489, costing the city $1,720,769 in lost revenue; consequently, salary expenditures are expected to decrease by 4.2%.^40

**BANKS AND FORECLOSURES**

The unscrupulous lending practices and flawed mortgage and refinance products developed by banks and other financial institutions have and continue to be a major contributor to the nation’s current housing crisis. The resulting impact of these foreclosures in local communities has been devastating as families have lost homes and abandoned and unmaintained vacant homes line streets.

Communities of color in Richmond have been the hardest hit by the foreclosure crisis, and of these a great percentage had purchased higher cost loans (subprime mortgages with higher, adjustable interest rates). Many of these loans had low introductory interest rates to entice buyers, but those rates often went much higher after the introductory grace period (typically one to two years), significantly increasing homeowners’ monthly payments and placing them in immediate financial distress. Table (8) illustrates the neighborhoods that have been particularly hard-hit by this phenomenon.

**Table 8**

<table>
<thead>
<tr>
<th>Name</th>
<th>Stage 2 - Went to Auction</th>
<th>Stage 3 - Bank-Owned</th>
<th>Sold At Auction*</th>
</tr>
</thead>
<tbody>
<tr>
<td>North &amp; East</td>
<td>274</td>
<td>235</td>
<td>39</td>
</tr>
<tr>
<td>Iron Triangle</td>
<td>252</td>
<td>216</td>
<td>36</td>
</tr>
<tr>
<td>Belding Woods</td>
<td>175</td>
<td>146</td>
<td>29</td>
</tr>
<tr>
<td>Coronado</td>
<td>92</td>
<td>88</td>
<td>4</td>
</tr>
<tr>
<td>Fairmede/Hilltop</td>
<td>75</td>
<td>68</td>
<td>7</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>59</td>
<td>62</td>
<td>-3</td>
</tr>
<tr>
<td>Park Plaza</td>
<td>59</td>
<td>47</td>
<td>12</td>
</tr>
<tr>
<td>Parchester Village</td>
<td>57</td>
<td>48</td>
<td>9</td>
</tr>
<tr>
<td>Shields-Reid</td>
<td>54</td>
<td>51</td>
<td>3</td>
</tr>
<tr>
<td>East &quot;Richmond</td>
<td>51</td>
<td>38</td>
<td>13</td>
</tr>
<tr>
<td>Pullman</td>
<td>50</td>
<td>51</td>
<td>-1</td>
</tr>
</tbody>
</table>

Source: Center for Community Innovation, University of California, Berkeley, March 2009
A telling story emerges from data about foreclosure type. In Stage 2 foreclosure, homes are placed for sale at auction, whereas Stage 3 foreclosure includes all houses that failed to sell at auction and are currently in bank ownership (REO, or “Real Estate Owned”).

As an example, Map (3) below illustrates the distribution of bank-owned, Stage 3 foreclosure properties that were not sold at auction. The neighborhood represented in the map below, North and East, has some of the highest numbers of these types of foreclosures. See appendix for more maps by neighborhood.

Map 3

Source: Center for Community Innovation, University of California – Berkeley, February 2009
Table (9) shows the banks with the highest number of Richmond foreclosures as of December 2008. Currently, Wells Fargo owns Wachovia, which owned World Savings (which had around 100 properties in Richmond), and this is the bank with the largest portfolio of foreclosed properties in Richmond. Bank of America now owns Countrywide and JP Morgan Chase owns Washington Mutual.  

**Table 9**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wachovia</td>
<td>561</td>
</tr>
<tr>
<td>Washington Mutual</td>
<td>310</td>
</tr>
<tr>
<td>Countrywide*</td>
<td>306</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>220</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>134</td>
</tr>
</tbody>
</table>

*Now Owned by Bank of America

Source: Foreclosures.com

**Chart 3**

Stage 2 and 3 Foreclosures since 2005

Source: Center for Community Innovation, University of California – Berkeley, 2009

Chart (3) illustrates the severity of the increase in both stage 2 and stage 3 foreclosures in Richmond.
Table (10) illustrates loans by type and year, broken down by each of the major lending institutions that serve Richmond. Countrywide had the largest percentage of higher cost loans in all years, and overall 2006 was the year in which the greatest percentage of higher cost loans was made by banks.

**Table 10**

<table>
<thead>
<tr>
<th>Year</th>
<th>All Loans</th>
<th>Higher Cost Loans</th>
<th>Percent Higher Cost</th>
<th>Wells Fargo</th>
<th>Bank of America</th>
<th>Countrywide</th>
<th>Chase</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>381</td>
<td>12</td>
<td>3.10%</td>
<td>3.1</td>
<td>5.8</td>
<td>13.3</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>596</td>
<td>65</td>
<td>10.90%</td>
<td>10.9</td>
<td>0.6</td>
<td>21.5</td>
<td>11.9</td>
<td>29.8</td>
</tr>
<tr>
<td>2005</td>
<td>684</td>
<td>39</td>
<td>5.70%</td>
<td>5.7</td>
<td>2.5</td>
<td>13.5</td>
<td>6.1</td>
<td>25.8</td>
</tr>
<tr>
<td>2004</td>
<td>654</td>
<td>21</td>
<td>3.20%</td>
<td>3.2</td>
<td>0.8</td>
<td>5.1</td>
<td>0.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Total</td>
<td>2,315</td>
<td>137</td>
<td>5.90%</td>
<td>5.9</td>
<td>3.3</td>
<td>13.1</td>
<td>7.6</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Source: Home Mortgage Disclosure Act

**Lending Disparities by Race and Ethnicity**

Chart (4) illustrates lending disparities by race and ethnicity for 2004-2007. African Americans were more likely to be sold subprime loans by Wells Fargo, Bank of America, and Countrywide, while Latinos were more likely to be sold subprime loans by Chase, and by the industry as a whole. This is a significant disparity given that African Americans comprise roughly 35% of Richmond’s population, whereas Asian Americans comprise only 12%.43

**Chart 4**

![Lending Disparities by Race and Ethnicity: Richmond 2004-2007](chart4.png)

Source: Home Mortgage Disclosure Act
Chart (5) illustrates the percentage of prime loans sold by each bank as distributed to each ethnic group from 2004-2007. White Americans are more likely to be sold prime mortgages (which typically have lower, fixed interest rates). In the case of each bank, African Americans are the least likely among the four ethnic groups to be sold prime mortgages.

Chart 5

![Prime Lending in Richmond 2004-2007: By Race and Ethnicity](chart5)

Source: Home Mortgage Disclosure Act

The data consistently indicate that Richmond’s African American population has been sold the highest number of subprime loans, which have the highest default risk. Latinos have also been targeted for these high interest loans, while Asian American and white Richmond residents are likelier to be sold prime mortgages.

**Richmond Foreclosed Homes and Sale at Auction**

For homeowners who are forced to leave their homes because of nonpayment of mortgage, their home will move to stage two of the foreclosure process, which is an attempt to sell the home at auction. In some instances, the minimum bid price for homes has been set at levels above the market value of the home, driving many homes into Stage 3 foreclosure that might otherwise have been sold at auction. Of the homes moving from stage 2 foreclosure (at-auction) to stage 3 foreclosure (bank-owned), many were placed at auction for prices above the current balance of the foreclosed owner’s mortgage. Map (4) shows the minimum bids at foreclosure auctions placed by the banks. The pattern is evident that homes with a minimum auction bid of at least 5% higher than the current mortgage value exceed all others.
The motive behind banks pricing foreclosed properties high enough not to sell at auction is unclear. Banks may not want to take such deep losses on their invested properties and plan to wait for the housing market to rebound, in which they might sell at a higher cost and recover more of their losses. They may also wish to sustain their asset levels at a minimum threshold and retaining these properties on their books allows them to do that.

Table 11 illustrates the results of a recent case study in which banks have placed foreclosed homes at auction and set minimum bid prices that exceed the original mortgage amount. When the home fails to sell at auction, the bank will take ownership and in some instances finally sell the home for amounts far lower than the auction price, very soon after the auction. The reason for this is unclear.
The pattern that emerges in the above case study of five homes is that the mortgage loan amounts far exceed the most recent assessment value, explaining why mortgage payments are unsustainable for the homeowners. The minimum price set at auction, however, not only exceeded the assessment value, but even exceeded the original mortgage loan amount. Clearly, banks not only want to recuperate the loan amount, but an additional amount as well (legal and default fees assessed by the lending institution). In all the above cases, the home did not sell at auction, and went into stage 3 foreclosure, in which the lending institution takes ownership. However, two of the above homes were sold only a short time after failing to sell at auction, for prices that were far below the minimum auction bid. If the banks were trying to recuperate their losses, they were unable to do so at these final sale amounts. This raises the question about why a bank would take such a steep loss on a property when selling it, in some instances only a week after auction.44

When a home sells from one owner to another (without the involvement of the bank), the property is reassessed at amounts closer to market value. However, homes under the same ownership for many years might have assessed values far below market values, which until recently have risen more than the 1% per year increase mandated by Proposition 13.47 In the cases above, the homeowner has either been unable to make the mortgage payments, or perhaps felt that the market value of the property had fallen enough not to justify further payment on a loan that exceeded that value. In either case, it is important not to equate the assessment value and market value. It is difficult to determine the market value of homes in Richmond’s high-foreclosure neighborhoods now, because few owner-to-owner (non-bank) transactions have taken place to establish a price pattern.

Most sales have been based on bank foreclosures, and pricing data are inconsistent and reflective of the internal motives of the banks rather than market demand. In truth, nothing more can be taken from this table than the fact that banks sometimes sell homes at far below minimum auction bid prices, and often within days afterward.
Map (5) shows homes for which minimum auction bid price was under $200,000. Again, most of these are concentrated in Richmond’s economically disadvantaged neighborhoods.

**Map 5**

Map showing Stage 3 Foreclosures in Western Contra Costa County, 2008 with minimum bid price at auction under $200,000. Source: Center for Community Innovation, University of California – Berkeley, February 2009

It is important to acknowledge the change in bank behavior that might occur in the future as a result of the federal Toxic Asset Recovery Program better known as TARP. The above patterns illustrate a buy-sell strategy that was economically rational given pre-stimulus conditions. However, it will be necessary to measure bank foreclosure behavior in the coming months in order to conceive a more informed notion about how banks are expected to approach the home value crisis.
REVITALIZING NEIGHBORHOODS

Current and future community and neighborhood revitalization is critical for long-term neighborhood stabilization especially in those Richmond neighborhoods in most need of assistance. Creating conditions for quality affordable rental and ownership housing is crucial to building a healthy community. Community revitalization that benefits all residents must include policies that reduce overcrowding, housing that is free from toxins such as mold, and lead and quality job opportunities to meet the needs of the community.

The City of Richmond has committed to investing $766,800 in Youth Training, Home Improvement and Energy Efficiency (Solar) programs, financed by Community Development Block Grants and State of California CalHome Funds. These programs will work towards rehabilitating the housing stock in Richmond, with the goal of revitalizing neighborhoods, preventing blight, stabilizing home values, and increasing employment. Among the activities funded are solar panel installation, interior and exterior home rehabilitation, exterior painting, and youth employment and training. Infrastructure investment will also contribute towards the improvement of neighborhoods, with a 3-year, $33 million proposal to rehabilitate sidewalks, wastewater collection, graffiti abatements and street paving.

The City of Richmond also plans to invest in a housing stabilization initiative, with foreclosure prevention and mitigation strategies for targeted neighborhoods that include Santa Fe, Coronado, Cortez-Stege, Pullman, Plaza, North Richmond, Belding-Wood and Iron Triangle.

Table (7) is an itemized list of projects.

These efforts combined with the City of Richmond’s stated goal to prioritize an increase in the supply of low and moderate income housing as well as the rehabilitation of substandard housing and other facilities are fundamental for fostering a healthy community for all residents.

<table>
<thead>
<tr>
<th>Planned Investment by the City of Richmond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer Financing</td>
</tr>
<tr>
<td>Acquisition, Rehabilitation and Disposition</td>
</tr>
<tr>
<td>Land Banking</td>
</tr>
<tr>
<td>Demolition</td>
</tr>
<tr>
<td>Redeveloping Vacant Property</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>General Administration and Planning</td>
</tr>
<tr>
<td><strong>Total Direct HUD Allocation</strong></td>
</tr>
</tbody>
</table>

Source: City of Richmond Finance Department, City of Richmond Mid-Year Budget Presentation, 17 February 2009.
**Housing Overcrowding and Quality Needs**

More than 15% of households in Richmond were considered overcrowded in 2000. With a 2010 projection of 5,739 households with 6 or more persons, the rental stock, which had only supplied less than a third of the units needed for this demographic, will be insufficient and complicate overcrowding problems.

Other existing housing challenges in Richmond include housing overcrowding, habitability and an older housing stock. Over 15% of households in Richmond were overcrowded due to a lack of affordable housing in the city.

Another issue of concern in Richmond is aging housing stock of inadequate quality. In 2000, the median age of houses in Richmond was 40 years, with more than 77% of houses older than 30 years. Code violations plague one out of every four homes built before 1940 (roughly 3,800 units), with many requiring substantial rehabilitation at costs ranging from $10,000 to more than $30,000.

Lead-based paint is another significant concern for homes built prior to the 1978 ban on such paint. Seventy-five percent of homes built before 1978, and 90% before 1940, have lead paint.

Considering that older housing stock tends to be cheaper, these health hazards are disproportionately affecting lower income populations. An alarming 90% of children under 6 live in housing stock with lead paint, and this has been linked to elevated levels of lead poisoning.

These statistics illustrate the need for Richmond to conceive of foreclosure recovery plans that not only address the financial health of the community, but the public health as well. This crisis is an opportunity for the city to deploy resources to rehabilitate housing stock, stimulate the economy and address health concerns.

**Job and Workforce Development**

Foreclosures are not a crisis that is isolated to the housing market, as the effects spill over into Richmond’s macroeconomic environment, including employment. Workforce development and job training are important components to revitalizing the economy of Richmond, as stabilized incomes lead to stabilized housing values and neighborhoods.

To leverage two opportunities, workforce development policies have been proposed that include construction training, putting unemployed Richmond residents to work rehabilitating their own communities. These opportunities are available due to the large number of people looking for work, and the poor condition of much of Richmond’s housing stock. Additionally, this is an opportunity for Richmond to secure its position as a green construction leader by supporting such retrofits as solar panels and energy-efficient heating/cooling systems.
For solar panels, a typical house (with appropriate conditions – good roof, sun exposure, under 1200 sq feet) will cost between $14,000 and $18,000. However, rebates have increased and low-income households can qualify for installation at a lower cost.

The average cost to retrofit a home for efficient energy consumption is between $5,000 and $10,000. Though for very little cost, energy costs can be significantly reduced (through duct installation, blanket around a water heater, sealing windows and doors and replacing inefficient appliances). There are many low-income programs to implement these measures. Higher cost projects include roof repair, attic insulation, and windows replacement.  

Estimating the cost to hire a local Richmond resident to secure, maintain, and rehabilitate abandoned properties will depend on the extent of damage, the number of hours that this will all take and whether the workers are union or non-union.

As part of an apprenticeship or training program, workers would be paid an apprenticeship wage, which is a proportion of a full time union journeyman's salary. There are limitations to how many apprentices versus full time journeyman a site can have, since technically apprentices are learning from the journeymen.

The prevailing wage, similar to the union wage, for entry-level laborers is $27.16 (including pension, health, vacation; $12.90 basic hourly rate without all the benefits.) Assuming each house employs one journeyman and three apprenticeships, at 50% pay, and assuming normal full-time hours for five weeks, the labor cost per house would be $13,580.

Training costs through RichmondBUILD are approximately $6,000 per student, with training of people who have significant barriers to employment (no high school education, English as a second language, etc.) could reach $11,000.

The need to rehabilitate and retrofit many of Richmond’s vacant and abandoned properties provides an opportunity to expand job opportunities to local residents in need of work, including those with barriers to employment. The use of the City of Richmond’s existing workforce programs as well as other local job training programs can create a win-win situation for those seeking employment, enhanced job skills, a cleaner and less blighted community and potential housing.
It is a difficult fight because you are going against the motives of big corporations whose aim is to keep people indebted,” said Anthony Allen.

Anthony and his family, which includes his wife and two young daughters, have lived in their current home in the Iron Triangle for four years. Anthony is a community leader active with Contra Costa Interfaith Supporting Community Organization (CCISCO) and has served as Vice-President of the Iron Triangle Neighborhood Council. For many years, Anthony, along with many of his neighbors, have been focused on ways to strengthen the community, including keeping the neighborhood safe and clean for all who live there.

It was not until recently that their work to improve the conditions in their neighborhood was overshadowed by the current foreclosure crisis. One of the changes that has greatly impacted Anthony’s neighborhood is the large amount of homes abandoned due to the foreclosure crisis.

As of now, his neighbors on both sides and behind his family’s home have left because they can no longer afford the high-priced mortgages. Many of these neighbors were those who had refinanced so that they could remodel their homes. Now these homes are left vacant. These abandoned homes are leading to increased deterioration of his neighborhood. “These empty houses are targets for thieves and squatters who steal everything from copper pipes to appliances, as foreclosed owners just walk away. I have helped people board up their homes to prevent break-ins, including my sister’s home in the Coronado neighborhood,” says Anthony.

“I am deeply concerned about how this housing crisis will impact my neighborhood and the families who live here.” The house two doors down sold for $54,000, but was originally purchased for $360,000. The new owners seem to be fixing it up.

“Not only am I concerned about the staggering decrease in property values but about the negative impressions people have about this neighborhood once they see what is happening here.”

“I would like to see home loans modified to reflect the lower values and interest rate lowered. This is a difficult fight because you are going against the motives of big corporations that from the outset knew
what they were doing. I would also like to see our city ordinances strongly enforced to hold absentee owners accountable for upkeep of homes and for the bad behavior of the tenants.”

Anthony remains optimistic about Richmond’s future and believes it can succeed. As he states, Richmond’s has many advantages including lower priced housing when compared to the entire Bay Area, a central location within short proximity to the North Bay and the region’s only single convergence facility for BART, Amtrak and AC Transit.

Community Profile: Jessica Peregrina – Losing our Home

“The American people deserve to be helped because they are the heart and soul of the country; they drive the economy from the bottom levels,” says Jessica Peregrina.

Jessica has lived in Richmond and the local surrounding area for nine years and currently works as a program coordinator for St. Mark’s Church in Richmond. She is also an active community leader with Contra Costa Interfaith Supporting Community Organization (CCISCO). Jessica’s work keeps her on the front line and in direct contact with those Richmond community members seeking access to a myriad of services including foreclosure assistance. Jessica is well aware of the various services available to assist those impacted by foreclosure and often refers community members to these resources. While she works to assist the community she is also working to keep her own family in their home which is currently in foreclosure.

Her family’s home, which includes her mother and brother, has been in default for three to four months. “We bought a six-bedroom home in San Pablo for $540,000 to house our large tight-knit family and keep us close together.” Today the home is valued at $350,000, which is far below the value of the high-priced mortgage they are paying. In July 2000 they received a letter stating that the bank that held their mortgage went bankrupt and that a new bank owned the loan. After five years, the interest rate changed from a fixed rate to an adjustable rate, which changed the payment from $2,500 to $3,200. Three months after the rate went adjustable; they received another letter increasing the mortgage payment to $3,700.

“My family has sought help from multiple sources. We have gone to local housing counselors and town hall meetings and the advice has been to modify our existing loan,” she says.

“Banks are flat-out unwilling to help. I have sent them multiple letters before they even responded and they were unwilling to renegotiate. I have looked everywhere for an organization or program to help and I cannot find any.”

The housing crisis is not only impacting Jessica and her family but also her neighborhood. “A house in front of mine was abandoned 1 ½ years ago and squatters moved in and destroyed it. People watch and notice which houses are abandoned and then move in and steal or squat. Four to five houses on my block have been turned into drug houses.”
Jessica also describes how the housing crisis has contributed to overcrowding and impacted renters. “Overcrowding is most common among immigrant families who live in one-room units. However, if the market recovers and people have jobs, they will split into their own accommodations,” she says.

As a program coordinator at St. Mark’s Church in Richmond, Jessica sees many evicted tenants whose landlords still charge them rent despite the fact that the landlords do not even own the property anymore.

“Foreclosure notices are mailed to the landowner, not the tenant. The landowner does not pass along this information to the tenants because [s/he] doesn’t want them to leave and lose the rent. Therefore, renters are only given notice at the last possible minute and in many cases the police show up and forcefully remove them even though they had no advance notice. People don’t know how to deal with this legally.”

Jessica is still hopeful and believes that if the government provides money for people to stay in their homes, these homeowners may in turn fix the roof, buy washer/dryer units, and make other improvements. This would improve the economy. “People can stimulate the economy if they have confidence in the future.”

**Community Profile: Adam Poe – Helping Rental Tenants Weather the Storm**

“Our office has seen a huge increase in the number of clients affected by the foreclosure crisis,” states Adam Poe with Bay Area Legal Aid, who provides legal assistance for renters in Richmond. Adam has heard many tragic stories; the renter who has been forced to move four times in one year, the evictions of Section 8 tenants, the family that was scammed into paying rent to somebody who did not even own the house.

“Many scams are occurring,” Adam says, adding that renters are unaware of the illegal actions of opportunists who will target one of the many vacant foreclosed homes, change the locks, and collect rent payments from an unsuspecting family. The renters are caught by surprise when the sheriff shows up to remove them; they thought they had signed a legal document.

Often, renters are unaware that their landlords are in default. They haven’t been informed and have little time to prepare for a move when they are given virtually no notice for an eviction.

Individual homeowners are also severely affected, according to what Poe has seen. “Owners trying to renegotiate loans are not very successful,” Adam insists. Banks refuse to budge on mortgage principal write-downs, lower interest rates or extended terms. Owners were pushed into mortgages they couldn’t afford by loan originators who often try to overstate applicants’ incomes. “Originators deal in volume, and will do whatever it takes to get a signature on a loan,” says Adam.

Adam supports an immediate moratorium on evictions, and for banks to “press pause” so that people can take some time to understand what is happening, and make alternative arrangements that will be appropriate for themselves and their families. The city also has the option to decree a moratorium on utility service denial, since many renters are unaware that their landlords have accumulated months of unpaid utility bills.
Adam supports the introduction of a “just cause ordinance” and rent control to protect tenants from unjust evictions and unreasonable rent increases. He also supports a plan that would allow renters, many of whom might otherwise have good credit and qualify for their own loans, to purchase the foreclosed home they inhabited. This would decrease the vacancy rate and encourage home stock rehabilitation and neighborhood investment.
PROPOSALS FOR POLICY REFORM

Prior to the housing market crashing, REDI was working with residents and elected officials to address the existing problems and developing real and sustainable plans to better the lives of everyday people in Richmond. Now more than ever, we have to work with financial institutions and elected officials to adopt new policies and practices that rebuild Richmond and prevent this tragedy from displacing working families and eroding the fabric of our communities. This Housing Platform is a step in a new direction of hope and real solutions for the short and long term.

REDI believes that the following are key goals in order to improve the short and long-term housing conditions in Richmond:

- Reducing the Impact of the Present Housing Crisis
- Creating Long-Term Sustainability for Affordable Housing
- Developing a Healthy and an Environmentally Safe Community

In the following housing platform, we will present areas of work where there are opportunities to meet these goals.

Reducing the Impact of the Present Housing Crisis

Keep Families in Their Homes

- We are calling for action at all levels to stop all preventable foreclosures. At a national level, we support President Obama’s proposals to hold banks accountable to modify loans insuring that homeowners obtain loan modifications that are affordable and provide long-term sustainability. We urge Congress to enact bankruptcy reform as quickly as possible.

- We support the state moratorium on foreclosures that just passed and are calling on the State of California and the Department of Corporations to provide clear and transparent data on which banks are complying with the moratorium and which banks are actually implementing loan modifications that help keep families in their homes.

- We are calling on Contra Costa County to adopt new legislation which will require all banks to identify, disclose and record all of the investors on foreclosed properties and to fine banks $1,000 a day if they do not comply. This money will go into a county fund to support job training programs that rehabilitate homes and make them “green” through energy efficiency and sustainable building materials.
Foreclosure Tenant Protection

To assist tenants impacted by foreclosures, we urge the State of California to pass legislation using the following guidelines:

- Clarification of existing law on the requirements regarding return of security deposits to tenants living in foreclosed properties
- Work with banks/owners/servicers to make sure they hire managers who will help collect rent on behalf of the owner to maintain the properties through fumigations, repairs and general maintenance, and someone to receive and catalog tenant complaints
- In cases where landlords had services in their names, transfer water, electricity, garbage, and or gas services from the name of the previous owner to the name of the bank that takes over the property within 30 days of transfer of ownership/or trustee sale of property
- Liens on banks, servicers, and lending companies that do not transfer these services into their name within 30 days
- Working with banks/owners/servicers to allow families who are paying rent to remain in homes, unless there is a just cause eviction, creating a win-win situation for tenants, banks, and the local economy
- Require any notices or legal documents regarding the property to be written in the native language of the tenants or require a third party state/city/county certified tenant-rights or legal advocacy group to review all cases before any action can be taken

REVITALIZE NEIGHBORHOODS

We want to take aggressive action to reclaim our neighborhoods and put Richmond residents back to work and create jobs that help stimulate the local economy.

- We are calling on the City of Richmond to work with nonprofit organizations, the county and other community stakeholders to establish a community land trust to keep these homes permanently affordable for Richmond families. Land trust feasibility increases with the number of properties included, and the best option is to assemble a group of community organizations to pool resources, expertise and influence towards this end. However, this will take time.

In the meantime, homeowners are suffering and housing challenges mandate immediate action. Therefore, we are calling on all banks to bundle their foreclosed properties and to sell them to the City of Richmond. This will

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Successful Initiative

HANDS (Housing and Neighborhood Development Services) is an organization dedicated to neighborhood revitalization in Orange and East Orange, NJ. The organization redevelops vacant properties, seeks to increase homeownership, involves community organizations and engages citizens in planning. The organization has developed or rehabilitated 126 units in 20 years. Recently, as part of “Operation Neighborhood Recovery,” HANDS helped broker the bulk sale of 47 abandoned speculator-owned properties. The challenge was how to value the properties, but a new standard protocol is emerging which will help land trust initiatives do this. For information about the pricing and valuation of vacant properties, see:

provide time for a land trust to form, and either purchase these properties from the City of Richmond or share in ownership with the city. Foreclosed properties will be purchased from banks at a price that allows the land trust to successfully rehabilitate the properties and provide them to families at an affordable cost. Banks should be willing to accept a lower, but fair price in exchange for the opportunity to sell a bundled group of properties.

- We are calling on the City of Richmond to aggressively enforce SB 1137, which gives the City the authority to fine banks up to $1000 per day on non-maintained properties. This new revenue can assist in the acquisition of vacant properties and increase job training and employment opportunities for local residents, especially those with barriers to employment. The new revenue can secure, maintain, and rehabilitate all of these abandoned homes for energy efficiency and solar power.

RICHMOND COMMUNITY INVESTMENT FUND

- We are calling on the City of Richmond to establish a homeownership revolving loan fund that will help Richmond families acquire foreclosed properties—especially those families who were the victims of predatory lending. We are calling on banks to agree to support this fund and invest in our community.

Create Long-Term Sustainability for Affordable Housing

TEENANT PROTECTIONS

- We urge the City of Richmond to adopt a Just Cause/Fair Rent ordinance. Basic protection for renters from unfair evictions and unjust price gauging can help Richmond continue on its path to be a diverse, sustainable and safe community for everyone.

- A Just Cause ordinance would curb unfair evictions and require landlords to evict tenants for fair reasons such as failure to pay rent, illegal activity or violation of lease. It would also protect tenants from being evicted as a result of a foreclosure of a deed of trust or mortgage on a building.

- A Fair Rent ordinance allows landlords to set the rent at whatever level they choose when a new tenant moves in. However, tenants are protected from dramatic increases once they move in because increases are tied to inflation and special prescribed circumstances. A Fair Rent ordinance with protection from “utilities shut-offs” would prevent renters from an illegal form of rent increase due to former owners lack of payment for past balances.

- A Just Cause/Fair Rent Ordinance would establish a rent board which will register all landlords in addition to hearing and attempting to resolve all complaints.

- We are calling on the full enforcement of SB 1137 to protect tenants in possession of a rental housing unit at the time the property is sold in foreclosure through a 60-day notice to vacate the property. Notification of sale of property must be posted on the property, mailed to the resident, and written in English, Spanish, Chinese, Tagalog, Vietnamese and Korean.
INCLUSIONARY HOUSING

- We are calling on the City to modify its existing inclusionary housing ordinance. Inclusionary housing programs require that new market rate residential developments include housing that is affordable for those of low-to-moderate incomes. Statewide these ordinances have proven to provide at least 80,000 people homes – a large majority of those people in low-income brackets.\(^6\)

- We want the City to ensure that more units are available for those of low-or-very low incomes under this ordinance. The ordinance should be amended so that developers are including more affordable units in their developments.

- We call on the city to raise its in-lieu fee so that it can adequately cover the cost to construct or rehabilitate an affordable unit. These improvements in the inclusionary housing ordinance can help maximize the development of in-fill housing that is affordable to those with varying incomes.

Create a Safe and Healthy Living Environment for Richmond Residents

CODE ENFORCEMENT

- We urge the City of Richmond to adopt policies and programs that rehabilitates substandard rental housing without displacing existing residents or raising their rents. As the city currently has such a program in place through code enforcement to periodically inspect residential dwellings units, then we call on the city to make available to the public an annual report that provides an update on the number of rental units inspected, general conditions of units and an evaluation of the overall effectiveness of the program.

- We urge the city to administer a rehabilitation assistance program to ensure that rental units are maintained and rehabilitated to comply with the building regulations, health code and health and safety standards of the Richmond Municipal Code.

- In collaboration with code enforcement, the redevelopment agency should create a fund that educates tenants on their legal rights and protections related to building regulations, health and safety code standards, complaints and enforcement.

Healthy Homes through Environmental Cleanup

- We urge the city through its General Plan to implement policies that ensure that contaminated lands in proximity to residential areas or areas planned for residential use are fully remediated to residential use levels. We urge the city through its General Plan to implement policies that ensure that environmental cleanup and improvement assistance funded by city resources benefit low-income communities.
CONCLUSION

In conclusion, the foreclosure crisis has severely affected Richmond and immediate action is needed to save the city’s communities, economy, and overlooked population groups. A unique confluence of circumstances has led to the problem: easy credit, overly-optimistic property speculation, and predatory lending practices that enticed low-income victims with low introductory interest rates. The fallout not only affects personal wealth accumulated through equity and lost in the market collapse, but also the increasing blight visited upon disinvested neighborhoods with high rates of vacancy and absentee bank ownership. As exogenous macroeconomic factors exacerbate these challenges, Richmond is faced with the task of drafting and implementing a solution that achieves immediate foreclosure relief while addressing decades old housing affordability and employment issues in a sustainable, long-term way. The impacts are felt by all members of the community – families, immigrants, manufacturing employees, and day laborers – and all constituencies must be involved if the solution process is expected to reflect all interests. Community development institutions and activists have worked tirelessly to bring aid to these victims, and policy solutions must leverage their collective efforts in order to affect change at the city-wide, neighborhood and individual levels. By working together, Federal and State government, the City of Richmond, public advocacy groups and financial institutions can ensure a brighter future for Richmond.
REFERENCES

1 City of Richmond, Basic Fact Sheet, February 5, 2007.


4 Credit Suisse, Foreclosure Update, 4 December 2008.


6 Ibid.

7 Ibid.


12 Ibid.

13 Ibid.


18 Economic Development Department, State of California, February 27, 2009.


20 Ibid.

21 Ibid.


24 Ibid.


27 Ibid.


32 City of Richmond Finance Department, City of Richmond Mid-Year Budget Presentation, 17 February 2009.

33 Ibid.

34 Ibid.


36 Ibid.


39 City of Richmond Finance Department, City of Richmond Mid-Year Budget Presentation, 17 February 2009.

40 Ibid.

41 The “Sold At Auction” data is approximate. If a property went to auction in late 2007, didn't sell, and passed into bank ownership in early 2008, it will be reflected in the 2008 Stage 3 data but not the 2008 Stage 2 data. Likewise, if a property went to auction in late 2008, didn't sell, and passed into bank ownership in early 2009, it will be reflected in the 2008 Stage 2 data but not the 2008 Stage 3 data.

42 Personal Communication, Adam Kruggel, Executive Director, Contra Costa Interfaith Supporting Community Organization, 1 March, 2009.

43 U.S. Census 2000.

44 When evaluating the tax assessment values, it is important to keep in mind the effects of Proposition 13, restricts the yearly increase of values to 1% annually.
45 City of Richmond Finance Department, *City of Richmond Mid-Year Budget Presentation*, 17 February 2009.

46 Ibid.

47 Ibid.


50 Ibid.

51 Ibid.

52 Housing Element at HE-16, Richmond Housing Element, City of Richmond 2001-2006, November 2005.


55 Ibid.

56 Ibid.

57 Tara Marchant (Greenlining Institute), Personal Communication, 2 March 2009.

58 Jenny Lin (Research Director of the East Bay Alliance for Sustainable Development), Personal Communication, 2 March 2009.

59 [http://www.dir.ca.gov/dlsr/PWD/Determinations%5CNorthern%5CNC-023-102-1.pdf](http://www.dir.ca.gov/dlsr/PWD/Determinations%5CNorthern%5CNC-023-102-1.pdf)

60 Jenny Lin (Research Director of the East Bay Alliance for Sustainable Development), Personal Communication, 2 March 2009.

This map focuses on stage 3 foreclosures (bank-owned) per block in the area around the Richmond BART station. The block immediately to the west of the station has seen more than 5% of total housing units undergo foreclosure, as have several other blocks in the area. Bank-owned properties are more likely to be vacant, which engenders vandalism.60
In stage 3 foreclosure, the debt-issuing institution, typically a bank, has taken possession of the foreclosed property. This map shows the stage 3 foreclosures in North Richmond. The most affected areas include neighborhoods bounded by Alamo Ave. to the north, Vernon Ave. to the south, Battery St. to the west and Filbert St. to the east. Neighborhoods between Market Ave. and Chesley Ave. are also experiencing a high number of stage 3 foreclosures.
Foreclosures in the Belding Woods Neighborhood, Richmond CA

Total Bank-Owned Foreclosures (2008): 146

Legend
- Schools
  - Alternative Ed
  - Elementary School
  - Middle School
  - High School

Source: Center for Community Innovation, University of California – Berkeley, February 2009
This map shows the percentage of owner-occupied homes in foreclosure. The data clearly illustrate that Richmond has a disproportionate number of census blocks with 25% or more of the owner-occupied units are in foreclosure.
This map shows foreclosures as a percentage of total housing units. The census blocks with 25% or more foreclosed properties are fewer than for the map above, which showed foreclosures as a percentage of owner-occupied units only. Absentee owners, owners of other properties, may purchase multiple units in different places, for the sake of capturing rental income from many different tenants. As such, these investors are less likely to account for foreclosures because higher credit ratings have allowed them to purchase numerous properties. These data also illustrate the devastating effects of the foreclosure crisis on renters, as absentee landlords who do undergo foreclosure must evict their tenants. Although the number of blocks where 25% or more of the total housing units in foreclosure is less than the number of blocks where 25% or more of the owner-occupied units is in foreclosure, Richmond is still disproportionately affected by foreclosures of this type, directly affecting the tenant population. As these tenants are evicted, they join foreclosed homeowners in a more intense competition for rental housing, which is being constrained by the smaller number of rental units available.