

STAFF REPORT

City of Lancaster

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Date: September 25, 2012

To: Mayor Parris and City Council Members

From: Elizabeth Brubaker, Housing & Neighborhood Revitalization Director

Subject: **Disposition strategy for properties acquired by the City of Lancaster under the approved Neighborhood Stabilization Program III (NSP3)**

Recommendation:

Adopt **Resolution No. 12-69**, a resolution of the City Council of the City of Lancaster, California, approving a disposition strategy for the sale of single-family residences acquired under the approved Neighborhood Stabilization Program III (NSP3).

Fiscal Impact:

Property sales will not be less than appraised value plus sales costs. Homebuyers will provide funding to purchase the homes. Revenue from the home sales will be deposited into account code 363-3200-100.

Background:

On August 14, 2007, the Agency Board approved the implementation of the Neighborhood Foreclosure Preservation Home Ownership Program (the "Program") citywide. The goal of the Program is to reclaim vacant, abandoned properties for affordable housing, to strengthen blocks and neighborhoods by eliminating the blighting effects of vacant properties, and enforce the city codes and city building code requirements. The Program is designed to preserve sustainable homeownership for Lancaster residents by reclaiming foreclosed homes as neighborhood assets. The owner-occupied housing will be for qualifying low- or moderate-income families. Such units will be subject to occupancy and affordability restrictions recorded against the property as required by Health & Safety Code 33334.2(e)(2).

In September 2008, pursuant to the Housing and Economic Recovery Act of 2008, the U.S. Department of Housing and Urban Development allocated a total of \$3.92 billion to round one of the Neighborhood Stabilization Program. This program, which is similar in nature to Lancaster's Neighborhood Foreclosure Preservation Home Ownership Program, assists cities with federal funds for the purpose of addressing the effects of abandoned and foreclosed properties in the nation's communities.

On February 22, 2011, the City of Lancaster received the Neighborhood Stabilization Program round three allocation pursuant to the Wall Street Reform and Consumer Protection Act of 2010

(Dodd-Frank Act) of \$2,364,566 from the U.S. Department of Housing and Urban Development. These funds must benefit persons of low-, moderate- and middle-income in areas within the community with the greatest percentage of home foreclosures, homes financed by subprime mortgage related loans and areas likely to face a significant rise in the rate of home foreclosures. The U.S. Department of Housing and Urban Development through the Frank Dodd Act allows the City to appropriate the Neighborhood Stabilization Program round three as a Substantial Amendment to the 2010-11 Community Development Block Grant.

The City of Lancaster purchased and rehabilitated eleven properties under the NSP3 program. These properties will be marketed and sold to potential homeowners who agree to purchase the properties for appraised value and agree to the recording of Declaration of Covenants, Conditions, and Restrictions. The Affordability Covenants, Conditions, and Restrictions contain affordability requirements and restrict the resale of the property to be owner occupied for forty-five years. The properties will be listed and sold through the Greater Antelope Valley Association of Realtors members via the local area Multiple Listing Service to qualified homebuyers.

One significant component of the removal of blight and revitalization of mature neighborhoods is the rehabilitation of older housing stock. During the current economic downturn, there have been a substantial number of foreclosures on mortgages throughout the City. The City has purchased and substantially rehabilitated several vacant and foreclosed properties. The homes purchased are typically those in need of the most assistance and not purchased by homeowners or investors when listed on the local Multiple Listing Service. The properties have been substantially rehabilitated with energy efficient features, such as dual pane windows, Energy Star appliances, and drought tolerant landscaping, in an effort to reduce the maintenance cost of the home to the new homeowners.

The NSP3 program helps to eliminate blight in the neighborhoods, and it assists the community by providing much needed affordable homeownership for families. Sale of the rehabilitated properties to homeowners will also help provide a better balance of homeowner to investor in the neighborhoods. By encouraging homeownership, the value attributed to the land as a resource increases, as the conditions of physical deterioration and blight due to poor use of the property, squatting and illegal dumping have been removed. The rejuvenation of these properties is further bolstered with the real potential of providing long-term affordable homeownership.

INFORMATION SUMMARY REPORT FOR THE SALE OF REAL PROPERTY WITH PROPOSED HOMEBUYERS

1, Cost of Project to the City:

The Sale of Real Property California Residential Purchase Agreement and Joint Escrow Instructions between the City of Lancaster and proposed homebuyers requires the City to transfer property to the homebuyer to complete acquisitions of the properties. The cost of the properties to the City is determined based on the following information:

- a. Acquisition cost of the homes in the targeted neighborhood revitalization areas range from approximately \$55,730 to \$137,000. The project homes are bank-foreclosed or short sale properties acquired for the purpose of creating affordable homeownership and revitalizing the neighborhood.
 - b. There are no clearance costs for this project.
 - c. There are no relocation costs for this project.
 - d. Improvement costs to the project homes include substantial rehabilitation including drought tolerant landscaping to meet the new California landscape standards, increased hardscape, energy efficient dual paned windows, and energy efficient appliances to assist and reduce the long-term costs for the new homeowners. Property rehabilitation costs range from approximately \$24,733 to \$88,395.
 - e. There are no finance costs for this project.
2. Estimated value of interest to be conveyed by the City to proposed homebuyers determined at highest and best:

The estimated value of the interest to be conveyed at its “highest and best use” is based on the appraised value of each home upon entering into a California Residential Purchase Agreement and Joint Escrow Instructions. The appraised values of the homes will range from \$120,000 - \$140,000. The value is based on an independent appraisal of the property valued at the time of sale.

3. The estimated value of interest to be conveyed at the use and with the conditions, Covenants and Restrictions (CC&R’s) required by the transfer of the property:

The City’s properties are and will remain fully restricted for a 45-year affordability period.

4. The acquisition price that the homebuyer will be required to pay during the terms of the California Residential Purchase Agreement and Joint Escrow Instructions:

The homebuyer will receive title to the property subject to the terms and conditions as outlined within the California Residential Purchase Agreement and Joint Escrow Instructions. The disposition price of these properties, with a declaration of affordable housing and Conditions, Covenants and Restrictions (CC&R’s) limiting the future sale of these properties, may range from \$120,000 to \$140,000.

5. Explanation as to the reason why the sale of the property will assist in the elimination of blight:

- (a) The prevalence of depreciated values, impaired investments and social and economic maladjustments.
- (b) The improvement and expansion of the community’s supply of housing (inside or outside the project area), including opportunities for very low, low and moderate-income households.

The basic goals for the project are as follows:

To retain by means of rehabilitation as many existing residences and businesses as possible.

To eliminate and prevent the spread of blight and deterioration and to conserve, rehabilitate, and redevelop the Project are in accordance with the Redevelopment Plans and the Annual Work Programs.

To achieve an environment reflecting a high level of concern for architectural, landscape, and urban design principles appropriate to the objectives of the Redevelopment Plans.

To make provisions for housing as it is required to satisfy the needs and desires of the various age, income and ethnic groups of the community, maximizing the opportunity for individual choice.

To alleviate overcrowded, substandard housing conditions and to promote the development of a sufficient number of affordable housing units for low and moderate-income households.

To coordinate the revitalization efforts in the Redevelopment Project with other public programs in the city of Lancaster.

The Neighborhood Stabilization Program III preserves housing and removes blight in the city's mature neighborhoods through substantial rehabilitation. It also provides affordable homeownership opportunities for those who qualify. Without encouraging homeownership, the value attributed to the land as a resource would otherwise continue to experience conditions of physical deterioration and blight due to poor use of the property, squatting and illegal dumping.

Additionally, the transfer of these properties will also help to eliminate blight by promoting rehabilitation of not only the Lancaster Housing Authority's project homes, but also those around them. Sale of the rehabilitated homes is the second phase of a multi-pronged approach to revitalizing targeted neighborhoods.

Attachments:

City Resolution No. 12-69

Listing of Properties