

Grantee: Lancaster, CA

Grant: B-11-MN-06-0510

January 1, 2019 thru March 31, 2019 Performance Report



Grant Number:
B-11-MN-06-0510

Obligation Date:

Award Date:

Grantee Name:
Lancaster, CA

Contract End Date:

Review by HUD:
Original - In Progress

Grant Award Amount:
\$2,364,566.00

Grant Status:
Active

QPR Contact:
Christopher Aune

LOCCS Authorized Amount:
\$2,364,566.00

Estimated PI/RL Funds:
\$2,968,914.85

Total Budget:
\$5,333,480.85

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

Lancaster is a city of approximately 145,000 people and is located 60 miles northeast of the City of Los Angeles. The median household income for 2010 was \$65,810 for the average household and the 2010 median home price was \$116,750. Recent reductions in housing prices, a weak economy and the mortgage fiasco contributed to the deteriorating conditions of the neighborhoods, as loans reset and the number of foreclosed properties increased. Due to the sustained foreclosure crisis, the City of Lancaster expects to receive \$2,364,566 from the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program III Grant pursuant to the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

The City of Lancaster experienced unprecedented growth during the first half of this decade. When the subprime mortgage issues surfaced, the City immediately felt the effects and experienced firsthand the negative impacts brought about by the increase in foreclosed upon and abandoned homes. The City acted in a proactive manner in 2006 and created the Neighborhood Preservation Foreclosure Program funded by the Lancaster Redevelopment Agency. The City then received NSP1 funds in the amount of \$6.9 million in 2008. These programs targeted specific, established neighborhoods in decline with a disproportionate number of foreclosed upon homes. To date, the Lancaster Redevelopment Agency and the City of Lancaster have purchased over one-hundred and twenty foreclosed homes at a total cost of \$6.9 million in NSP1 funds and \$7 million in Redevelopment funds. These homes are rehabilitated and then made available to income qualified, first-time home buyers.

Despite these efforts, Lancaster, month after month, has a consistently high foreclosure rate. In the Metropolitan Service Area of Los Angeles/Long Beach, the City of Lancaster is among the top four cities with the highest number of foreclosures. In December of 2010, RealtyTrac reported that 1 in every 91 homes located in the City received a foreclosure filing. Lancaster ranked number four with 576 foreclosures reported for the month of December, Los Angeles took the number one spot followed by Palmdale and Long Beach.

The number of affordable and decent homes available to qualified buyers in the targeted neighborhoods decreased as foreclosed and vacant properties increased. Although the City has made a small dent in reducing the number of foreclosures in the current market, the target neighborhoods contain an estimated 104 vacant or foreclosed properties combined. The number of available foreclosures in the three identified neighborhoods will allow the City to make strategic acquisitions of foreclosures and make a significant impact by acquiring and rehabilitating properties to stabilize the neighborhoods in decline.

While there is a community-wide foreclosure issue, which has a negative impact on property values, there is also continued housing cost burden for those residents at the lowest end of the income spectrum. This is particularly so in the City's Target Area census tracts selected for this grant application. Therefore, the 2010-2015 City of Lancaster Consolidated Plan identified affordable housing opportunities as the main goal.

Foreclosure Radar, an on-line listing of for-sale bank-owned foreclosed properties, properties sold at auction, and "pre-foreclosure" properties, show distressed properties scattered throughout the City. However, the identified areas of greatest need are located within targeted areas where the City continues to expend resources and funds to stabilize its neighborhoods. Home sale prices recorded in Lancaster for the 2010 GAVEA report indicate that property values declined by 38% as compared to the prior year.

Another negative factor contributing to the foreclosure crisis is based on unemployment and the correlation between joblessness and foreclosures. The unemployment rate in Los Angeles County is approaching 12.7% as compared to 6.8% reported at this



same time two years ago. The City of Lancaster is experiencing an even higher unemployment rate that is hovering around 17%. The subprime mortgage issues continue to have a dramatic impact on the ability for a great number of potential home buyers to access credit. This is adversely affecting targeted neighborhoods as investors continue to beat out potential home owners for available foreclosed properties. The properties are then either rented or left vacant, which reduces the ability of the City to encourage homeownership and also taxes code enforcement efforts to enforce local codes and ordinances relating to property maintenance.

Focusing NSP3 funding on the three adjacent neighborhoods will allow the City to better address the foreclosure crisis and have the greatest impact of stabilizing a specific area. NSP1 funds were used to acquire and rehabilitate homes in the Joshua and El Dorado neighborhoods. However, the City focused NSP1 and Redevelopment funding in eight neighborhoods in greatest need. Six of those eight neighborhoods show signs of improvement and have fewer foreclosures. Nevertheless, the remaining two neighborhoods, Joshua and El Dorado, are still in distress. Linda Verde is directly north of El Dorado and has not received any Federal or local funding to address the foreclosure crisis.

The neighborhoods to the west and north of the target areas received the bulk of NSP1 and Redevelopment funds, as the City invested heavily in those neighborhoods to halt the declining effects that vacant and foreclosed properties have on neighborhoods and communities. The priority is to stabilize the three identified neighborhoods to the east as depicted in exhibit "A". Each of the three identified neighborhoods has a neighborhood NSP3 score of 20, contain persons primarily in the low to moderate income category, a high vacancy rate, suffer from high unemployment, and are likely to have a high number of continued foreclosures. Linda Verde also has a high percentage of home foreclosures reported at 22.9% and a 39.1% figure for homes financed by subprime mortgage related loans. El Dorado has a home foreclosure percentage of 22.7% and a 40.7% figure for homes financed by subprime mortgage related loans. Joshua, in addition, has a home foreclosure percentage of 22.1% and a 39.4% figure for homes financed by subprime mortgage related loans.

How Fund Use Addresses Market Conditions:

NSP3 funds are limited and the City will utilize the grant funds to specifically target the three identified neighborhoods through acquisition and rehabilitation of vacant and fore closed homes. Linda Verde will be the primary neighborhood followed by El Dorado and then Joshua, as funds are limited and must have the greatest possible impact. The Linda Verde neighborhood, according to the NSP3 mapping tool, would require the acquisition of 14 properties to make an impact in the identified targeted area. El Dorado is the secondary neighborhood, which would require the acquisition and rehabilitation of 20 properties. Joshua, on the other hand, would require a significant investment and the acquisition of 47 properties.

Based upon past costs associated with NSP1 stabilization and Agency preservation programs, each acquired foreclosed property will cost, on average, \$160,000 to acquire, rehabilitate, and maintain. Therefore, NSP3 funding in the amount of \$2,364,566 will allow the City to acquire 13 to 14 properties in accordance with Federal regulations. Fourteen acquired and rehabilitated homes will also allow the City to make a significant impact in addressing the foreclosure crisis in the primary target area.

Changing market conditions will allow the City to focus on El Dorado or Joshua if the foreclosed and vacant properties in Linda Verde become scarce or difficult to acquire. In addition, NSP3 funding will remain targeted in a specific area of greatest need, as each neighborhood is adjacent to one another. Improving conditions in one neighborhood should carry over on into the next and have a stabilizing effect for the whole area.

The City does not anticipate utilizing any NSP3 funds to address multi-family units, as most of those units have quickly been acquired and rehabilitated by private entities. Single-family homes, however, are the primary focus, as these contribute to crime, blight and depressed property values in the identified established neighborhoods.

Ensuring Continued Affordability:

The City of Lancaster shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties remain affordable to individuals or families with incomes below 120 percent of area median income or, for units originally assisted with funds to individuals and families with incomes below 50 percent of area median income.

The City of Lancaster, in order to ensure continued affordability to the maximum extent practicable and for the longest term feasible for the properties it assists with NSP3 funds, will record affordability covenants that will run for a period of 45 years. The City, in addition, will obtain promissory notes and record trust deeds to secure the NSP3 funds it invests in these properties. Affordability covenants and restrictions will have a 45 year term, and will require payment in full if the owner fails to comply with the terms of the covenants.

The resale price, as determined by the City of Lancaster, must be affordable to the new purchaser and may not exceed the affordable housing cost for a low-income household. Resale of the property by the participants during the affordability period to a new purchaser that is not a low-income household, does not intend to occupy the property as a primary residence, or the resale price is not an affordable price, the City shall recapture the entire amount of the City loan, including principal, accrued interest and other applicable loan charges.

During the affordability period, should participant transfer the property title, not occupy the property as a primary residence or not comply with any portion of the loan agreement, the City shall recapture the entire amount of the City loan, including principal, accrued interest and other applicable loan charges.

Continued affordability will be ensured for the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.



Definition of Blighted Structure:

The City of Lancaster defines a "Blighted Structures" in accordance with Section 33031(a) of the California Health and Safety Code: 33031(a). This subdivision describes physical conditions that cause blight:

- (1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.
- (2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.
- (3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.
- (4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

Definition of Affordable Rents:

The City of Lancaster will define affordable rents pursuant to the requirements of the federal HOME Program for very low income rents: "A rent that does not exceed 30 percent of the adjusted monthly income of a family whose annual income equals 50 percent of the median income for the area as determined by the U.S. Department of Housing and Urban Development, with adjustments for household size and numbers of bedrooms in the unit." These maximum rents will be in accordance with HUD regulations at 24 CFR 92.252.

Housing Rehabilitation/New Construction Standards:

The City of Lancaster will ensure that all rehabilitation of residential properties utilizing NSP3 funds comply with applicable laws, codes and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. The City is prepared to install Energy Star appliances in homes requiring modest rehabilitation. In addition, all homes requiring substantial rehabilitation will meet or exceed the Energy Star for new homes standard.

The City of Lancaster has taken great strides to preserve and develop affordable housing that provides for a sustainable environment for our families, residents, and future. All homes developed through the NSP3 program will be rehabilitated with a focus on reducing the overall cost of ownership while creating a healthier environment, more energy efficient and healthier homes for our residents.

Vicinity Hiring:

The City of Lancaster will also ensure compliance with NSP3 regulations for Section 3 and "vicinity" hiring and to make efforts to market new jobs associated with the project to individuals or companies within the "vicinity" of the project as described in NSP3.

Procedures for Preferences for Affordable Rental Dev.:

The City does not anticipate utilizing any NSP3 funds to address multi-family units, as most of those units have quickly been acquired and rehabilitated by private entities. Single-family homes, however, are the primary focus, as these contribute to crime, blight and depressed property values in the identified established neighborhoods.

Grantee Contact Information:

City of Lancaster
44933 North Fern Avenue
Lancaster, CA 93534
Brigitte Ligons, NSP3 Administrator
661-723-6034

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$5,333,480.85
Total Budget	\$0.00	\$5,333,480.85
Total Obligated	\$0.00	\$5,333,480.85
Total Funds Drawdown	\$0.00	\$4,100,096.91
Program Funds Drawdown	\$0.00	\$2,265,048.22
Program Income Drawdown	\$0.00	\$1,835,048.69
Program Income Received	\$0.00	\$1,898,004.92
Total Funds Expended	\$0.00	\$5,108,705.65
Most Impacted and Distressed Expended	\$0.00	\$0.00



Match Contributed

\$0.00

\$0.00

Progress Toward Required Numeric Targets

Requirement	Target	Actual
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$354,684.90	\$0.00
Limit on Admin/Planning	\$236,456.60	\$232,709.04
Limit on Admin	\$0.00	\$232,709.04
Most Impacted and Distressed Threshold (Projected)	\$0.00	\$0.00
Progress towards LH25 Requirement	\$1,333,370.21	\$1,240,816.81

Overall Progress Narrative:

The City of Lancaster originally acquired seven LMMI and four LH25% foreclosed homes in the three target neighborhoods, as outlined in the NSP3 Action Plan. All of the homes are 100% rehabilitated and have been sold to income qualified persons. The homes are located in neighborhoods where foreclosed and vacant houses are a source of blight and neighborhood deterioration. Acquiring and rehabilitating the foreclosed homes will assist in stabilizing these neighborhoods. All rehabilitation work is complete and the homes are now under new ownership. Rehabilitation consisted of adding value through green building practices and materials. Many of these homes in these established neighborhoods contained single pane windows, inefficient water heaters, water intensive landscaping, and non-water saving toilets and shower heads. The City will ensure, as is feasible, replacing or installing green and energy saving materials and devices such as dual paned windows and desert friendly landscaping.

The City focused on meeting the LH25% requirement and acquired 4 homes pursuant to the substantial amendment. The City has sold all of the 11 NSP3 homes that were marketed and listed on the website. The City is currently in the process of updating the properties and beneficiary data in the next reporting period. Staff will continue identifying eligible properties in the targeted neighborhoods.

The City of Lancaster, pursuant to the substantial amendment, has identified and acquired a total of nine properties in the expanded targeted area utilizing Program Income funds from the sale of NSP3 homes. No vouchering activity was conducted during this quarter, as we are attempting to correct an issue (that remains outstanding) with help from Technical Assistance. To date, the City has sold six LMMI and three LH25% homes. The City is currently identifying other properties which meet NSP3 requirements for acquisition and rehabilitation purposes. Market conditions have improved and the City anticipates that NSP properties will quickly sell. However this rebound of the housing market has caused difficulty in acquiring homes as investors are able to offer above appraised value. Occupied homes will help stabilize neighborhoods and address the many issues brought about by vacant properties. In addition, the City will also be able to reduce maintenance costs and general upkeep of the properties once a new owner occupies the home.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
3.1, NSP LMMI	\$0.00	\$3,647,024.25	\$1,531,088.66
3.2, NSP LH 25%	\$0.00	\$1,350,000.00	\$501,250.52
3.3, NSP Administration	\$0.00	\$336,456.60	\$232,709.04



9999, Restricted Balance

\$0.00

\$0.00

\$0.00

