



**CITY OF LANCASTER**  
**NSP ACQUISITION, REHABILITATION & RESALE PROGRAM**  
**GUIDELINES**

City of Lancaster  
Housing and Neighborhood Revitalization Department  
44933 Fern Ave. Lancaster, CA 93534

## CITY OF LANCASTER

### NSP ACQUISITION, REHABILITATION AND RESALE PROGRAM

#### GUIDELINES

##### I. INTRODUCTION

In 2008, the Neighborhood Stabilization Program (“NSP”) was enacted by the United States Legislature as part of the Housing Economic Recovery Act of 2008 (Pub. L. 110-289, approved July 30, 2008) to deal with the housing foreclosure crisis facing many localities throughout the country. Consequently, the City of Lancaster (“City”) was awarded NSP funds to acquire homes foreclosed in the City. These Guidelines (“Guidelines”) set forth the rules, regulations, and procedures for implementing the City’s NSP Acquisition, Rehabilitation and Resale Program (“Program”) funded using NSP funds.

The NSP imposes the following requirements on all local government agencies and other NSP participants that will apply to the Program:

1. NSP funds may only be used by the City on eligible projects that assist very low, low, and moderate income households whose incomes do not exceed one hundred twenty percent (120%) of Los Angeles County area median income (“Eligible Household”). A Regulatory Agreement restricting ownership, occupancy, and resale of each Home to Eligible Households for a term of 45 years will be executed by each Eligible Household acquiring a Home through the Program and will be recorded against each such Home concurrently with close of escrow for the conveyance to such Eligible Household.
2. Households acquiring a Home pursuant to the City’s Program must occupy the Home they acquire as their primary residence, obtain a low-risk mortgage loan, and attend a home buying course with a HUD certified counselor.
3. Homes acquired using NSP funds shall be rehabilitated according to the standards established by the City of Lancaster and all code violations shall be cured. In addition, all rehabilitation work performed pursuant to the Program must comply with Title X of the 1992 Housing and Community Development Act, 42 U.S.C. Section 4800, *et seq.* and the implementing regulations set forth at 24 C.F.R. part 35, subparts A, B, J, K, and R, with respect to notification, inspection, assessment, reduction, and clearance of lead based paint.
4. Each Home acquired and rehabilitated through the Program must be sold to an Eligible Household at a price that does not exceed the total cost of acquisition, rehabilitation, and redevelopment, plus transaction (escrow and title) costs.
5. Homes acquired by or with assistance from the City, (“City Entity”) using NSP funds must be purchased at a discount from the current market appraised value of the Home, taking into account its current condition. Thus, the purchase price paid by a City Entity for a Home using NSP funds shall not exceed ninety-nine percent (99%) of the current appraised fair market value of the Home, based on a HUD-certified

appraisal completed within 60 days of the City Entity’s final offer on the Home and, on average, City Entities shall not pay more than eighty-five percent (85%) of the current appraised fair market value of all Homes acquired using NSP funds pursuant to the Program.

- 6. Only Homes that are located in a designated “Redevelopment Project Area” (as set forth in the “Redevelopment Project Area Map” attached hereto as Attachment No. 1 and incorporated herein) and that have been foreclosed and left vacant will be eligible for acquisition as part of the Program. Foreclosed homes that are either occupied or not located in an NSP Area are ineligible for participation in the Program.

**II. GUIDELINES**

The Program has been established by the City to provide for the acquisition, rehabilitation, and resale to Eligible Households at an affordable housing cost of foreclosed and vacant single-family homes, as part of NSP. The City reserves the right to modify these Guidelines at any time and with or without notifying any interested individuals or entities. Minor amendments to these Guidelines, including amendments to procedures or time limits described herein, may be made by the Program Director in his/her sole discretion. Major, substantive amendments to these Guidelines must be approved by the Lancaster City Council. The following Guidelines set forth the rules, regulations, and procedures for implementation of the Program:

<b>Section 1. Contractors</b>
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- A. DESCRIPTION. The City shall issue a request for proposal and/or qualification (“RFP/Q”) to solicit proposals from for-profit and/or non-profit construction companies with extensive experience in construction to participate in the Program (“Contractor”). The City will utilize Contractors to assist in the rehabilitation of Homes. Each Contractor shall enter into an agreement with the City pursuant to the NSP regulations and these Guidelines (“Contractor Agreement”), which Contractor Agreement shall require the Contractor to provide the following services:

- Rehabilitation of selected Homes

Contractors will be encouraged to utilize sub-contractors, suppliers, and other vendors located in Lancaster. The City retains complete discretion to contract with one or more (or no) Contractors for implementation of the Program, from time to time. The number of Contractors selected to participate in the program will be based upon funding levels, capacity of Contractors, and volume of qualified properties in the NSP Area.

- B. RFP/Q PROCESS. The RFP/Q process will be used to consider and evaluate proposals and qualifications for the selection of one or more applicants (each, an “Applicant”) interested in becoming Contractor. The RFP/Q process may be used at any time to add or replace existing Contractors. An evaluation panel of individuals selected by the Program Director or his authorized designee (“Program Director”) will review each complete application and proposal package submitted by an Applicant and make recommendations regarding the selection of Contractors. The Program Director will review the recommendations of the evaluation panel and make

final recommendations to the City Council regarding the selection of Contractors. Upon selection by the City Council of one or more Contractors to participate in the Program, each selected Contractor will enter into a Contractor Agreement with the City which sets forth the obligations of each party under the Program.

C. **MINIMUM QUALIFICATIONS.** To be considered, the Contractor must satisfy the minimum qualifications set forth in these Guidelines and any and all additional qualifications required by the Program Director or his/her authorized designee. The minimum qualifications are as follows:

1. The Applicant must have extensive rehabilitation and construction experience, including substantial rehabilitation of a minimum of 20 owner-occupied homes (specifically single-family homes, condominiums, or townhomes) in the previous 5 years. The Applicant's proposal must show that the Applicant has substantial experience evaluating the condition of homes, including testing for lead based paint and asbestos; evaluating and remedying building code violations, including illegal room additions and conversions; preparing a written scope of the anticipated rehabilitation work to be performed at residential properties; determining and budgeting for anticipated rehabilitation costs including preparation of project budgets; and obtaining required building permits and inspections. The Applicant must hold a current California general contractor license that is in good standing.
2. The Applicant must have experience during the previous 5 years obtaining financing from financial institutions and public entities to acquire and/or rehabilitate property and the Applicant's proposal must show that the Applicant will be able to leverage the City's NSP funds with other funding sources to assist the rehabilitation of the Homes.
3. The Applicant must have experience during the last 10 years working with local governmental entities to rehabilitate or construct residential property. The Applicant's experience must include an in-depth understanding of government regulations, program administration, and funding sources.
4. The Applicant must be knowledgeable regarding the Neighborhood Stabilization Program and the City's Program Guidelines.
5. The Applicant must provide references and other documentation to evidence the Applicant's relevant experience and performance record to satisfy the above listed requirements.

D. **HOME ASSIGNMENT PROCESS.** If more than one Contractor is selected to participate in the Program, the City, at its discretion, will utilize one or more of the following procedures to implement the selected Contractors participation:

1. Each Contractor will have the opportunity to participate in the rehabilitation of Homes owned by the City by participating in a competitive bid process for each home ("Bid Package # \_\_\_\_\_") as described in more detail in Section F, below.

2. The Program Director may approve alternative procedures not otherwise described in these Guidelines.
- E. FINAL HOME ASSIGNMENT PROCESS. After the Contractor is selected, the Contractors, an initial meeting shall be scheduled with appropriate City staff and all Contractors to discuss the most appropriate method(s) of implementing the Program in order to meet the needs of both the City and the Contractors. Based on that meeting, the City Administrator shall select one or more of the above procedures to implement the Program and shall inform all selected Contractors of his decision in writing. A Contractor that is assigned a Home to rehabilitate will be known as a “Selected Contractor.”
- F. REHABILITATION PROPOSAL PROCESS. In the event that a Rehabilitation Proposal Process is implemented for a particular Home owned by the City, (as described in Section D.2. above), the City shall conduct all required lead based paint and/or asbestos evaluations and prepare and provide a written breakdown of the required and suggested rehabilitation work to be performed at the Home (“Bid Schedule”). Such “Bid Schedule” shall include any and all required lead based paint or asbestos control or abatement actions based on the evaluations completed by the City for the Home. Any Contractor interested in being selected as the Selected Contractor assigned to rehabilitate the Home the contractor will submit a competitive Rehabilitation Bid Package showing: (i) an estimate of costs to complete all required rehabilitation, as set forth in the Bid Schedule (“Rehabilitation Cost”) and a budget for the proposed Bid Schedule, including a line item break down of all anticipated Rehabilitation Costs (Bid Schedule), and (iv) responses to any other questions or requests included in the Rehabilitation Bid Package solicitation notice prepared and distributed by the City. Each Contractor interested in a particular Home shall independently evaluate the conditions of the Home to determine the extent of required rehabilitation work and shall inform the Program Director promptly and in writing of any inconsistencies or errors in the City’s Bid through a Request For Information (RFI) process. After the Bid Packages are submitted, the City will evaluate each Bid Package and select the Bid Package that achieves the best and/or most rehabilitation at the lowest cost. The City may reject Rehabilitation Proposals that fail to comply with the Rehabilitation Bid process, fail to account for conditions at the Home, or fail to provide reasonable or realistic costs, or the City may reject all Rehabilitation Proposals and either issue a new request for Rehabilitation Proposals at a later date or pursue alternative projects with respect to the Home.
- G. REMOVAL OF CONTRACTOR. In the event a Contractor fails to perform to the satisfaction of the City pursuant to the NSP, these Guidelines, and all agreements executed by the Contractor pursuant hereto, the Program Director may elect to suspend or permanently terminate the Contractor from participating in the Program in his sole, reasonable discretion. The process to suspend or terminate a Contractor participation in the Program shall be described in more detail in the Contractor Agreement entered into between the Contractor and the City.

<b>Section 2. Acquisition of the Homes</b>
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- A. DESCRIPTION. The goal of the Program is to recapture 100% of the costs incurred to purchase and rehabilitate each Home. It is expected that the resale of some Homes may require a subsidy due to circumstances such as sale to an Eligible Household with a very low income, unexpected Rehabilitation Costs (or costs to remove or contain lead based paint and/or asbestos), or other conditions that negatively impact the Home and/or the surrounding neighborhood.
- B. INITIAL OFFER. The City may make offers to purchase Homes located in an NSP designated area in the City and that are vacant and have been foreclosed. The amount of any initial offer shall take into account the estimated pre-rehabilitation fair market value, the NSP-required acquisition discount of a minimum of 1% below the current market value of each, the anticipated Rehabilitation Cost (including a specified contingency amount for change orders, as approved by the Program Director), and the anticipated post-rehabilitation resale price. The initial offer shall include the following contingencies: (i) Program Director Approval of the final purchase agreement, (ii) a HUD-certified Appraisal which determines the fair market value of the Home, and (iii) Program Director approval of the results of an interior and exterior inspection of the Home. In addition, the initial offer shall include notice that no City Entity intends to use its condemnation powers to acquire the Home. Any initial offer that does not contain the contingencies listed above or otherwise fails to conform to the requirements set forth in this paragraph shall not be approved by the Program Director.
- C. APPRAISAL. A HUD-certified appraisal must be conducted to verify the current fair market value of the Home and to determine whether the initial offer complies with the NSP regulations requiring a below fair market value, discount purchase price. The appraisal must be completed within 60 days of the final (accepted) offer and prior to escrow closing. The appraisal will be conducted and paid for by the City. Escrow may open after the offer has been accepted; however, escrow may not close and the Home may not be conveyed until after the appraisal has been completed to the satisfaction of the City.
- D. INSPECTION. After a Home is pre-approved by the Program Director and the offer to acquire the Home is accepted by the Collateral Debt Organization (CDO), the Program Director shall conduct an inspection of the entire Home, including all interior and exterior areas.
- E. CITY APPROVAL. No funds shall be disbursed in connection with the acquisition of the Home without the prior approval of the Program Director and City Council approval for acquisition.
- F. LEGAL OWNERSHIP. Title to each Home acquired through the Program will be first taken by the City.

<b>Section 3.     Rehabilitation of the Homes</b>
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- A.     DESCRIPTION. Homes acquired through the NSP shall be rehabilitated by the Selected Contractor in accordance with the “Rehabilitation Specifications”, Bid Schedule & Agreement.
  
- B.     MINIMUM REHABILITATION STANDARDS. Minimum Rehabilitation Standards for individual Homes shall, (i) bring the Home into compliance with all City Municipal Code requirements (including remedying illegal room additions and other health and safety concerns), (ii) brings the Home into compliance with the NSP regulations, and (iii) results in significant improvements to the Home. The Selected Contractor shall ensure that all rehabilitation work is performed in compliance with the Davis Bacon Act, 40 U.S.C. Section 3141, *et seq.*, and the regulations promulgated thereunder set forth at 29 CFR Part 1 and/or California Labor Code Section 1720, *et seq.*, to the extent such requirements are applicable to the rehabilitation work to be performed at a particular Home.
  
- C.     LEAD BASED PAINT AND ASBESTOS. A lead based paint evaluation will be conducted with respect to any Home constructed prior to 1978. The City, at its discretion, may also request such test for Homes constructed during 1978 or thereafter. In addition, the Program Director, in his/her sole discretion, may require an asbestos test at a Home. In the event lead based paint and/or asbestos is determined to exist in a Home, the Selected Contractor will be required to take appropriate steps to either control or abate such lead based paint and/or asbestos at the Home, in the reasonable discretion of the Program Director. The City will ensure all necessary lead based paint and/or asbestos evaluations are conducted at each Home, as required, and shall be responsible for all costs incurred in connection with such tests. The proposed bid schedule prepared by staff shall include all required testing, control, and/or abatement of lead based paint and/or asbestos at the Home.
  
- D.     COMMENCE REHABILITATION. The Selected Contractor shall commence the rehabilitation of a Home within 10 calendar days of award of contract. The Selected Contractor shall complete the rehabilitation work within 45 calendar days after commencement of the rehabilitation. The Program Director, in his/her sole discretion, may approve extensions of the time to commence or complete rehabilitation.
  
- E.     CHANGE ORDERS. In the event there are any changes to the Bid Schedule or Rehabilitation Cost after the Bid Schedule & Agreement have been approved, a written change order request must be submitted to the City for consideration. The City shall have 5 business days (defined as Monday through Friday, excluding holidays) to approve or deny the change order. All proposed changes to the Bid Proposal must be approved by the Program Director in writing before any such changes are implemented. Any changes made without the approval of the Program Director shall constitute a default under these Guidelines and the Contractor Agreement.
  
- F.     REHABILITATION INSPECTIONS. The Selected Contractor shall obtain all required City building permits prior to commencing any rehabilitation work. During

the rehabilitation work, the City may at any time inspect and evaluate the progress and quality of the rehabilitation. If the City is not satisfied that the rehabilitation is proceeding in accordance with the time schedule set forth in the Agreement, that the quality of the rehabilitation conforms to the approved Bid Schedule, or that the actual cost of the rehabilitation is likely to exceed the approved Rehabilitation Costs as set forth in the Rehabilitation Budget, the City shall issue a correction notice (“Correction Notice”) to the Selected Contractor. The Selected Contractor shall be required to cure all deficiencies noted in the Correction Notice within fifteen (15) calendar days from the date of the Correction Notice (or such longer period of time as may be approved by the Program Director, in his sole and absolute discretion); the Selected Contractor shall be fully responsible for all costs incurred to cure all deficiencies set forth in the Correction Notice. In the event the Selected Contractor does not adequately address and cure the deficiencies set forth in the Correction Notice, City shall have the right to cure such deficiencies and to obtain reimbursement of such costs from the Contractor.

- G. **FINAL INSPECTION AND CORRECTIONS.** The Selected Contractor shall notify the City in writing within two (2) calendar days of completing the rehabilitation work at a Home. Within 7 calendar days of receiving such notice, the City will conduct a final inspection of the Home to ensure that the rehabilitation has been satisfactorily completed in accordance with the approved Bid Schedule and any change orders. The City will issue correction notices for any items included within the Bid Schedule or approved change orders that require corrections. The work performed pursuant to the approved Bid Schedule and change orders must be completed to the satisfaction of and approved by the Program Director and the City’s Building Division. Once approved by the City, a Notice of Completion will be issued by the City evidencing satisfactory completion of the rehabilitation of the Home.
- H. **REQUIRED CONTRACTOR QUALIFICATIONS.** When a Selected Contractor submits its initial Bid Schedule Proposal for a Home to the City for approval, the Selected Contractor shall also provide the City with a list of any and all subcontractors expected to perform rehabilitation work at the Home. Any changes to the list of subcontractors performing rehabilitation work at the Home shall also be submitted to the City for approval within seven (7) calendar days. All contractors and sub-contractors must have a California contractor license in good standing, all required workers compensation insurance, including for their employees, and shall comply with other requirements as determined by the City. All general contractors and subcontractors shall be selected and rehabilitation performed in accordance with Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. § 1701u and the implementing regulations set forth at 24 CFR part 135 (“Section 3”); each Selected Contractor shall coordinate and consult with the City’s HUD representative to ensure the provisions of Section 3 are fully complied with. The Selected Contractor shall manage and oversee the rehabilitation work performed by all contractors. Each Selected Contractor is encouraged to utilize contractors and skilled labor located in Lancaster to perform the rehabilitation work. Each contractor shall provided evidence that each employee to perform work at the Home has adequate training, qualifications, and safety instruction (“Skilled Employees”) and such evidence shall be approved or disapproved by Program Director in his sole discretion. Within seven (7) calendar days of receiving written notice from the City that any



employees are not Skilled Employees, the Selected Contractor shall inform the contractor that they must prevent such non-Skilled Employee(s) from performing any work at the Home. The Selected Contractor shall remove any contractor that is unable to comply with this obligation.

- I. **WARRANTY OF WORK.** The Selected Contractor will be required to provide a one year warranty for all rehabilitation work performed at each Home. The Selected Contractor will be required to make repairs to correct any item included in the approved Bid Schedule for a Home that is defective and breaks within one year of completion of the Rehabilitation, unless the damage is caused by the Eligible Household’s negligence.
- J. **REHABILITATION COSTS.** The Selected Contractor shall be responsible for obtaining sufficient funds to pay all Rehabilitation Costs incurred at the Home, including costs for contractor profit, overhead and change orders.

<b>Section 4. Sale of Homes</b>
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- A. **DESCRIPTION.** After the rehabilitation work has been approved by the Program Director, the City shall both list and market the Home for sale with a local approved Realtor (“Realtor”), including placing the Home on the Multiple Listing Service (“MLS”). The total maximum commission payable to both the listing and the buyer’s real estate agency shall not exceed 6% of the Resale Price.
- B. **CITY APPROVAL OF RESALE PRICE.** The Realtor shall obtain the Program Director’s approval of the proposed listing price (Resale Price) of the Home prior to listing the Home for resale. The Resale Price may be sufficient in amount to cover all Project Costs incurred by the City to acquire, hold, rehabilitate and resell the Home. In the event the actual approved Project Costs exceed the post-rehabilitation fair market value of the Home, Program Director may approve a Resale Price that is less than the Project Costs. The remaining negative amount shall constitute an NSP subsidy to the Home.
- C. **MAXIMUM RESALE PRICE.** The Resale Price for a Home shall not exceed the total approved and actually incurred Project Cost with respect to the Home. In the event that the total Project Costs are less than the post-rehabilitation fair market value of a Home, the Program Director may, in his sole and absolute discretion, permit a Home to be sold at a Resale Price in an amount up to its fair market value.
- D. **CITY APPROVAL OF OFFER.** When an offer to purchase a rehabilitated Home is received from an Eligible Household, the Realtor shall present the offer to the Program Director for consideration and the Program Director shall either, accept the offer, reject the offer, or suggest that a counter offer be submitted to the interested homebuyer. Any counter offer or acceptance of an offer by the Realtor shall be made expressly subject to verification that the interested homebuyer meets all requirements of these Guidelines and the NSP regulations for acquisition of the Home. Further, any purchase and sale agreement entered into by the Realtor and an interested homebuyer shall be made expressly subject to verification of the homebuyer’s status

as an Eligible Household and compliance with all requirements under the NSP regulations and these Guidelines.

- E. **ELIGIBLE HOUSEHOLD QUALIFICATIONS.** Homes acquired, rehabilitated and resold pursuant to the Program must be purchased by Eligible Households (1) that earn 120% or less of the Los Angeles County area median income, as published annually by HUD, and (2) that will both own and occupy the Home. Prior to close of escrow for resale of the Home, all Eligible Households will also be required to (a) attend a HUD-certified, 8-hour pre-acquisition home ownership class and (b) obtain a low-risk mortgage loan, preferably at a fixed interest rate, as approved by the Program Director.
  
- F. **AFFORDABILITY COVENANT REQUIREMENTS.** In accordance with the NSP regulations, each Eligible Household shall execute a promissory note, deed of trust, and a regulatory agreement in recordable form restricting ownership, occupancy and resale of the Home for a minimum term of 45 years to Eligible Households (at an income level equal to or lower than the income of the Eligible Household purchasing the Home) that are approved by the City (“Regulatory Agreement”). Any resale of the Home within the 45 year affordability period will require the prior approval of the Program Director; if the Home is sold within the 45 year affordability period to a household whose income exceeds the income permitted by the Regulatory Agreement, the full amount of the original purchase price, as set forth in more detail in the promissory note, deed of trust and Regulatory Agreement executed by each Eligible Household will be payable to the City of Lancaster. Alternatively, the City may elect to impose a default interest rate in the event a Home is re-sold in violation of these Guidelines or other loan structure reasonably calculated to protect the City’s interest in maintaining the affordability of the Home for a period of not fewer than 45 years.
  
- G. **MONITOR AFFORDABILITY COMPLIANCE.** The City will monitor compliance with the affordability and other requirements applicable to each Home on an annual basis and each Eligible Household shall cooperate with the City by responding in a prompt, complete, and honest manner to the City’s inquiries regarding the ownership and occupancy of the Home and permitting the City to periodically inspect the interior and exterior of the Home, and otherwise reasonably cooperating with the City’s efforts to monitor compliance with the Program.

<b>Section 5. Property Management during the Holding Period</b>
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- A. **DESCRIPTION.** Upon acquisition of a Home by the City, the City shall be responsible for the maintenance and security of such Home throughout the entire Holding Period. The City’s maintenance obligations include keeping the Home free of debris, weeds, graffiti, vermin, vagrants, squatters, and other nuisance conditions. In addition, the City shall secure the Home to ensure that squatters and the public are unable to enter the Home or obtain access to the back yard or other non-public areas of the Home.
  
- B. **HOME INSPECTION.** The City shall inspect each Home at least once a week, or more if required. In the event of a serious nuisance condition at the Home, such as

vagrants, squatters, or other trespassers at the Home, graffiti, significant trash or debris in visible areas, or other health or safety concerns, the City shall respond to such notice and shall diligently work to cure such condition.

ATTACHMENT NO. 1  
NSP TARGET AREA MAP



Prepared By: Urban Futures, Inc. LC\_AB1290\_2005-09

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**LEGEND**

- CBD Project Area
- Residential Project Area
- Foxfield Project Area
- Amargosa Project Area
- Project Area No. 5
- Project Area No. 6
- Project Area No. 7