Foreclosure aid plan disappoints

Federal effort rehabs far fewer abandoned homes than projected

BY MICAH MAIDENBERG

A signature piece of the Obama administration's effort to bolster communities slammed by foreclosures and empty homes is falling far short of its goal.

The Neighborhood Stabilization Program provided Chicago $169 million starting in 2009 to acquire and renovate empty, foreclosed homes and find residents for them, limiting the cancerous effects of vacant and often-vandalized properties. It was enough, the city said at the time, to bring as many as 2,500 housing units back to life.

Instead, as of late June, the program has yielded 538 rehabbed units, according to a city report. Just 205 of those have found renters or buyers.

Slogging through the infamously long local foreclosure process challenged the ability of the nonprofit organization hired to run the city's program to acquire homes quickly, while the empty residences it procured were in worse shape than anticipated, extending the rehab timeline and boosting costs. Also, the federal funds came with added regulations developers wouldn't face in a private deal.

While the stabilization program never could have solved the vacant-home problem by itself, the results so far stand out as a missed opportunity, some observers say. "It has not had the impact that people in communities and that people in public policy would have hoped to have seen," says Kevin Jackson, executive director of the Chicago Rehab Network.

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MISSED OPPORTUNITY

The Obama administration's big plans met a tough reality.

2,000 to 2,500 Initial goal for unit rehabilitation

841 Units acquired

538 Units rehabbed*

96 Units sold

109 Units rented

Note: Data through June 28
Source: City of Chicago

*Some units in progress

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Red tape, higher rehab costs put drag on federal foreclosure aid program

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Providing cold comfort is that other municipalities do not appear to have sprinted to victory, either. Los Angeles, which received $143 million in funding, acquired 344 units through the first quarter, federal records show.

"It's hard to tell if it had any broad, stabilizing impact," says Alan Mallach, who studies urban policy as a nonresident senior fellow at the Brookings Institution in Washington.

Here's how the effort works locally: The city has contracted with a local unit of affordable-housing developer and property manager Mercy Housing to acquire vacant properties in hard-hit neighborhoods. Denver-based Mercy works with developers to rehabilitate the buildings and find them qualified buyers or renters. Buyers also may identify vacant homes in targeted areas and work with the city and its partners to acquire and refurbish them.

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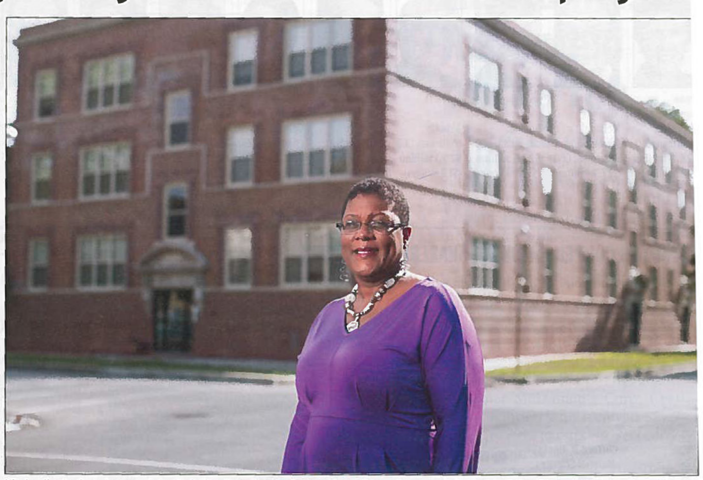
Alan Mallach, Brookings Institution

Taking a home from foreclosed and vacant to sold and occupied can take years. In Chicago Lawn, Mercy acquired a single-family home in the 6300 block of South Campbell Avenue in 2009 for $19,000 and transferred it to a developer late that year for $10, public records show. After rehabbing the home at a cost of $297,407, the developer sold it in April for $85,000.

"I think this went at the pace the market allowed it to go," says Darlene Dugo, regional vice president in Mercy's Chicago office, noting the acquisition difficulties and regulatory requirements.

In North Lawndale, Kimberlie Jackson, executive director of Lawndale Christian Development Corp., says the program could have had a bigger impact. It picked up homes in a scattershot way rather than concentrating on particular blocks. "It wasn't strategic in the acquisitions," Ms. Jackson says.

Her criticism comes with praise, too: Lawndale Christian transformed an empty, gang-infested building on the West Side into 15 units of affordable housing, at a cost of $1.9 million.



Kimberlie Jackson's Lawndale Christian Development Corp. transformed a gang-infested building through the program.

Neighbors now feel comfortable being outside the structure, Ms. Jackson says.

"We think it's been a model and helped a lot of people," says Lawrence Grisham, managing deputy commissioner in the city's Department of Housing and Economic Development. He notes Mercy, on behalf of the city, acquired 841 housing units through June 28, which means more properties will be rescued for new buyers or tenants. The city and Mercy also have shifted their focus recently to larger apartment buildings, allowing them to rehab more units in a single shot.

To push the for-sale portfolio, the city is offering buyers big incentives—up to $75,000 to purchase and rehabilitate empty properties, including $30,000 forgivable mortgages.

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