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## **Federal foreclosure funds trickling into neighborhoods**

### **Stabilization program shows signs of success despite slow start**

By Robert McCoppin, Tribune reporter

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Torrey Warship had never owned a home — until the mortgage foreclosure crisis.

Through a federal program to renovate foreclosed homes, the 34-year-old public works laborer bought his first house in Waukegan for \$138,000. He moved his family out of an apartment and into a two-story, two-bedroom, 2 1/2-bath home in a "nice and peaceful neighborhood."

"I'm loving it," he said. "If it wasn't for that (program), I wouldn't have been able to get it."

Warship is one of a small number of new homeowners benefiting from the Neighborhood Stabilization Program, which has sent \$4.6 million to Lake County to buy, renovate and sell foreclosed, abandoned homes.

The program doles out federal money to local governments, which help nonprofit organizations or municipalities buy the abandoned, foreclosed homes in targeted areas. The agencies — and in some cases cities such as Waukegan — rehab and sell the homes. Prospective buyers must make less than 120 percent of median income in the Chicago area — about \$63,000 for one person and \$90,000 for a four-person household.

Experts say the program is meant to help combat the blight of empty, deteriorating homes that can drag down a neighborhood's property values.

The effort has been slow to take off since Congress approved funding in 2008. And critics say the number of homes salvaged is paltry compared with the number of problems. For instance, 20 homes in Lake County are set to be renovated, but the county saw more than 11,000 default filings in 2010, according to RealtyTrac, an online foreclosure market. In DuPage County, seven homes are due to be rehabbed, but there were 10,600 new foreclosures last year in the county.

Chicago, which had 40,000 foreclosure filings in 2010, saw just one home sold by year-end. In Kane County, the first of 13 homes is expected to be completed by the end of the month.

Cook County was particularly slow getting started. Though the county received \$28 million in funding, federal data showed it had spent only \$450,000 as of Jan. 3 — the second-slowest spending rate in the country.

As a result, the U.S. Department of Housing and Urban Development said last week that it will provide technical assistance to speed the process.

Despite its limitations, the program helps prevent neighborhoods from deteriorating, say supporters such as Scott Berger, director of the Kane County Office of Community Reinvestment.

"It was just a matter of time before these homes would be boarded up and probably demolished," he said. "If you live in a neighborhood with vacant homes, you can't wait for the market to tear it down and rebuild it."

The nonprofit Affordable Housing Corporation of Lake County is using \$2 million of the federal money to buy 12 homes in the Round Lake area. It has sold one and prepared another six to go on the market, rehabilitation specialist Mike Mader said.

Chicago's stabilization program is the biggest in the nation. The city received \$168 million and plans to help rehab more than 2,000 units. The city hired Mercy Portfolio Services, an affordable-housing nonprofit organization, to coordinate the effort. It has acquired 115 properties comprising 467 units, primarily on the South and West sides. Sixteen homes had been renovated and one sold as of Dec. 30.

It takes time to buy properties, rehabilitate and sell them, and Chicago is ahead of other large municipalities, said Molly Sullivan, spokeswoman for the Chicago Department of Housing and Economic Development.

While Chicago has almost one-third of all foreclosures in the region, the suburbs were the hardest hit in 2010, with collar counties generally seeing increases of more than 20 percent.

In Cook County, about \$12 million was meant to go to two groups of west and south suburbs. The previous administration of County Board President Todd Stroger got a slow start and allocated \$2.5 million for training but had only three staff members to run it, said a county spokeswoman. The county is reviewing the proposed projects and plans to train more staff to speed the process, she said.

Foreclosure rehab money has also gone to Aurora, Berwyn, Cicero, Elgin and Cook, DuPage, Kane, Lake, McHenry, and Will counties, plus the state of Illinois.

Since the federal stabilization program was launched, Congress has allocated \$7 billion, some of it through President Barack Obama's economic stimulus package.

Despite recent Republican attacks on federal spending, this program has had few public critics, perhaps because it is relatively small, said Eli Lehrer, a senior fellow who studies housing markets for The Heartland Institute, which promotes free-market solutions to public policy problems.

"It's not an awful idea," Lehrer said of the program. "It may do some good in some places."

A study by the Furman Center for Real Estate and Urban Policy found that foreclosed properties can lower nearby property values and tax revenues, and lead to vandalism and break-ins. The center recommended targeting transitional neighborhoods, where one or two restored homes will have more impact, rather than severely distressed areas.

Some officials say it's more important to target the worst properties.

Elgin, for instance, used \$2 million to buy 12 properties in four neighborhoods. It demolished one building and, with Habitat for Humanity, is rehabbing the rest. The purchase price ranged from \$59,000 to \$92,000 for each property, while rehab costs ranged from \$178,000 to \$249,000, said Sarosh Saher, a senior planner with Elgin.

"The city prioritized houses in the greatest need of rehabilitation that nobody else would look at," Saher said, "so the cost of rehabilitation was much higher."

The state of Illinois distributed \$53 million among 17 recipients, including DuPage, Lake, McHenry and Will counties. Most of the 400-plus projects are single-family houses, but some will go to special housing for the homeless or to people with disabilities or mental illness.

Illinois and Chicago are among the hardest-hit areas in the nation in terms of foreclosures, said Rich Sharga, vice president for RealtyTrac. But the good news, he said, is they have a more stable housing stock because they didn't see the wild price swings of Florida or the recent wholesale abandonment of areas like Flint, Mich.

"Of all the programs bandied about, this is the one that probably has the most potential for making some real inroads," Sharga said. "A lot of these properties are ones nobody wants to buy. It's really a way to begin the healing process for the most devastated markets."

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