

Where did the stimulus funds go?

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Residents of Bushwick left to fend negative effects of foreclosures for themselves

Eva Sanchis/EDLP

Nueva York - Elba Reyes, from Puerto Rico, and her husband thought they had found a home to raise their five children when they bought their house on 59 Harman Street, in a Bushwick area of two-story houses, five years ago.

However, Reyes, 44, is now having nightmares about intruders breaking into her home and harming her children.

“Once again you can see drugs being sold on the streets; you often hear gun shots,” Reyes says. “I am at home with my children and I hear helicopters and police sirens.”

The economic crisis has left an epidemic of foreclosures in Bushwick, especially in the Southern area, where many Hispanic homeowners like Reyes live. Just on her block, three houses have “for sale” signs; another five are abandoned, with boarded-up doors and windows, accumulating trash and graffiti.

“When we bought the house five years ago, it was difficult to get a house in Bushwick that one could afford, but now you walk two blocks and see four, five, six houses for sale,” Reyes claims.

Homeowners in the area, like Reyes, who paid \$285,000 for her house and is up to date with her payments, have seen their house prices sank 45% in the last two years, according to data from the Furman Center at NYU. For many, hopes for the neighborhood’s revitalization rest on president Barack Obama’s promised intervention.

The federal stimulus plan approved last year included a \$2 billion package to help cities all around the country buy and repair these abandoned houses and offer incentives to potential buyers.

The program, the Neighborhood Stabilization Program 2 (NSP2), seems tailored for a neighborhood like Bushwick, but its benefits are uncertain.

One of the problems lies in the fact that last January New York City got just \$20, of the \$50 million it asked to cushion the impact of more than 59,000 foreclosure processes initiated since 2006 through the city. Of these, almost 1,600 are in Bushwick alone. The non-profit Habitat for Humanity was awarded an additional \$10.5 million for projects in the areas of Bed-Stuyvesant and Brownsville-Ocean Hill, in Brooklyn.

“\$20 million in any city wouldn’t scratch the surface, let alone in New York City,” says Craig Nickerson, president of the National Community Stabilization Trust, an organization that facilitates the transfer of foreclosed and abandon properties from banks to local housing organizations.

The cost of buying and restoring a home in New York is very high compared to other cities in the country, explains Arden Sokolow, responsible for supervising the NSP2 program in New York City Department of Housing Preservation and Development (HPD).

“You read those articles about how houses in Cleveland are selling for \$12,000 or in Detroit for \$8,000, we can’t do that,” says Sokolow. “Foreclosed homes here are selling for \$300,000.”

The foreclosure crisis in the city is not widespread; it is concentrated in certain neighborhoods like the center of Brooklyn or Southeastern Queens. This could explain why it has received much fewer funds of the stimulus plan than other large cities like Los Angeles, which was awarded \$100 million, according to an HPD spokesperson.

“New York City as a whole hasn’t felt the repercussions of the foreclosure crisis as deeply and widely as many other states have, although we have many neighborhoods that are deeply impacted,” says Eric Bederman, HPD’s press secretary. “We’re a city of renters.”

To balance out the lack of funds from the stimulus, HPD will use this money to attract private funds for the activities, as it did in 2008 with the \$24 million from a preceding federal program, the Neighborhoods Stabilization Plan 1 (NSP1), which attracted \$32 million from the private sector.

In its NSP2 proposal HPD called for acquiring and rehabilitating 320 foreclosed homes and redeveloping 320 vacant sites, but it will have to scale down its activities now. Sokolow, from HPD, says they are waiting federal guidance on how to do this.

The city plans to use part of the stimulus funds to help families with low and moderate incomes to buy abandoned or foreclosed homes. A family of two who earns less than \$73,680, for example, could apply for the aid, which could be up to \$50,000 per building for down payments.

However, residents like Reyes doubt that Bushwick families who earn an average of \$31,000, according to the Census, will be able to afford these houses. As an example, Reyes mentioned a nearby two-family house, which was recently restored thanks to a HPD supervised program devised to create affordable housing, which is selling for \$460,000.

“I really don’t think that there are going to be any benefits for low income people,” says Reyes, who earns \$32,000 as a city parks officer. “For people like me, who earn less than \$40,000 a year, a half a million

house it's not a house for low income people.”

The city had also proposed using \$10 million from stimulus funds to complement its existing stalled site redevelopment program, known as Housing Asset Renewal Program (HARP). It offers incentives to developers to acquire and redevelop unsold or stalled condominiums converting to affordable rentals and homeownership units. However, given the reduced grant allocation, the city won't be using stimulus funds to complement HARP, explains Sokolow, from HPD.

This is bad news for Bushwick-based organizations that believe that the HARP program, which is already funded with \$20 million of city money, offers a great opportunity to create affordable homes in a rapidly gentrifying community.

“For people in the community, who earn \$20,000, \$25,000 or \$30,000 per year, the condos are there, but it's impossible for these people to afford them,” says José López, an organizer with Make the Road. This non-profit estimates that there are more than a hundred empty or stalled condominiums in Bushwick that sprung up during the recent housing boom.

Another problem for the beneficiaries could be the slow pace at which the funds are being invested. So far, the city has only committed about \$2 million in NSP1 funding to purchase and rehabilitate seven houses in the Bronx, Queens and Staten Island and a six-family property in Bushwick. According to HPD, this delay is due to the fact that on attracting private funds, the city has had to create a credit facility to channel these semi-private investments.

“Now that the credit facility is up and running, we will begin to buy foreclosed properties much more quickly,” says Bederman, from HPD.

The HPD spokesperson stresses that the federal program is just one of several tools they are using to stabilize neighborhoods.

In December 2007, the city helped launch the Center for the NYC Neighborhoods (CNYCN), a non-profit that supports and coordinates the efforts of more than twenty non-profits in the city that help homeowners, free of charge.

The CNYCN has a \$7.5 million annual budget, a third of which comes from the HPD and the City Council; the rest is comprised of private donations. Since its creation, the CNYCN network has assisted nearly 6,000 homeowners and submitted more than 1,800 applications to modify mortgages.

“Just a little bit of money to fund counselors goes a long way. One counselor can keep dozens of people in their homes every year,” says Mike Mastman, a foreclosure prevention counselor from Grow Brooklyn, which operates within the CNYCN network. “One counselor can keep dozens of people in their homes every year.”

Mike Hickey, CNYCN executive director, regrets that the stimulus plan doesn't include specific funding for housing counseling.

“The stimulus plan really doesn't do much to help individual homeowners,” says Hickey. “It's frustrating that a lot of efforts have been dedicated to addressing the impact of the foreclosure and economic crisis, but very little of it has gone directly to support homeowners.”

For Reyes, the best plan against her neighborhood deterioration is keeping neighbors in their homes.

“We already know each other,” she says. “I know my neighbor, my neighbor knows the next neighbor, and so each of us knows what we are up against.”

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