

San Francisco Business Times - May 31, 2010  
[/sanfrancisco/stories/2010/05/31/story6.html?b=1275278400%5E3423131](#)

## SAN FRANCISCO Business Times

Friday, May 28, 2010

# Stimulus foreclosure fund no home run for cities

San Francisco Business Times - by [Blanca Torres](#)

Just as local jurisdictions had started to master a federal stimulus program aimed to turn around abandoned and blighted homes, the first phase is a few months from ending and solving the problem is far from complete.

The Neighborhood Stabilization Program awarded about \$65 million to Bay Area cities and counties and \$150 million to the state of California to buy up foreclosed homes, rehabilitate them and sell them to low-income buyers.

Many of the entities receiving funds spent months figuring out how to implement the program. Now time and money are running out.

Rose Sade, senior program director for **Enterprise Community Partners Inc.** of Northern California, said “most of these cities haven’t been in the business of single family housing. They had to create all these new systems to get those programs up and running.”

Meanwhile, in 2010’s first quarter, 10,669 homes in the Bay Area went into default, the first step of a foreclosure, according to **DataQuick Information Systems**.

“The program itself is a great program, but it’s a drop in the bucket of what needs to happen,” said Michelle Starratt, housing development manager for Alameda County. “It takes a lot of work to get this money out the door. It’s a huge drain on staff and resources.”

The program is administered by the U.S. Department of Housing and Urban Development. Local entities had to apply for grants and determine which of their neighborhoods were hit hardest by foreclosures.

Grantees had a hard time buying homes because the banks were slow to sell boarded-up homes. It could take months for a lender to complete the sale of a foreclosed property. Some local entities said they compared the number of foreclosed properties recorded versus banks’ inventories and saw large discrepancies.

“Some of the properties may not be getting to the market, there have been loan modification efforts, we have a backlog of foreclosures being processed because of moratoriums — all that keeps foreclosed properties from being accessible.” said Sergio Barajas of the **National Community Stabilization Trust**, an agency that helps NSP recipients find eligible properties.

Also, in some cases, cities were competing with all-cash investors who were snapping up foreclosed homes, though some banks then agreed to let the NSP participants have a first look at foreclosures before they hit the market. Many of the homes the county has gone after are in the worst shape in the worst neighborhoods — homes investors wouldn’t want.

Contra Costa County received about \$6 million from the stabilization program and expects to turn around about 20 homes in areas such as Bay Point, Antioch, North Richmond, Rodeo, San Pablo and Oakley. The county contracted with developers including Habitat for Humanity East Bay and Bridge Housing.

“Now that we understand the program and the banks understand the program and the developers understand the program, it’s hit a stride. But we’ve exhausted most of our funds,” said Kara Douglas, affordable housing program manager for Contra Costa County.

Money from the first round of grants, known as NSP1, must be spent by September. The second round, known as NSP2, gives recipients more time, about three years, but involves more homes.

Alameda County received \$2.1 million from NSP1 and \$11 million from NSP2. The second grant alone will cover about 100 homes.

Starratt said her department welcomes any additional funding, but the hassle of starting from scratch for a program that will only last a few years is frustrating.

“They can fund this for another 15 years and then we’d get to the point where there aren’t any foreclosed homes,” she said. “If HUD doesn’t do anything more with this program, it’s kind of a lot of work to spend a little bit of money.”

The short-term gains have made a difference for developers like Habitat for Humanity East Bay.

Janice Jensen, executive director of the organization, said that with NSP funds, Habitat will bring 50 homes online in this fiscal year — almost double the typical 25 to 30 homes the group completes per year on average.



Spencer Brown

No place like home:  
NSP has helped  
Habitat’s Jensen  
produce more homes.

[View Larger](#)

“NSP allows us to do more and do it a lot faster,” Jensen said. “It’s a huge upside opportunity to help neighborhoods in a way that local jurisdictions and organizations like us could never do on our own.”



**Blanca Torres** covers East Bay Real Estate for the **San Francisco Business Times**.

Contact her at [btorres@bizjournals.com](mailto:btorres@bizjournals.com) or (415) 288-4960.

Read her blog postings at **Bay Area BizTalk**.

All contents of this site © American City Business Journals Inc. All rights reserved.