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To Avert Blight, City Will Repair and Resell Vacant Homes

By [MANNY FERNANDEZ](#)

New York City will spend \$24 million in federal financing to rehabilitate and resell 115 foreclosed homes, one of the most aggressive steps city officials have taken in years to prevent vacant foreclosed properties from becoming a blight on neighborhoods, Mayor [Michael R. Bloomberg](#) announced on Wednesday.

The city will use the money to take control of foreclosed properties owned by lenders that have failed to be sold at auction. The city has already overseen the purchase of the first four empty homes — two on Staten Island, one in the Bronx and one in Queens — and renovations are scheduled to begin by this spring.

“We’ve worked hard over the past seven years to build strong, safe neighborhoods, and we can’t — and we won’t — let the current mortgage crisis destabilize our communities and threaten our quality of life,” Mr. Bloomberg said at a news conference.

The efforts by the city illustrate the impact that foreclosures are having on the city’s neighborhoods and, in some ways, echo its response to the housing crisis of the late 1970s and early ’80s. Back then, in an attempt to revitalize neighborhoods left decimated by abandoned properties, the city under Mayor [Edward I. Koch](#) began taking over the ownership and management of buildings whose owners fell behind on their property taxes.

But the city eventually earned a dismal track record as a landlord of distressed properties. It was overwhelmed with tax-delinquent buildings, and it became the reluctant landlord of 10,000 buildings and 100,000 apartments in some of the city’s poorest neighborhoods. By the mid-1990s, it was paying \$220 million a year to manage and maintain them, though many of those buildings remained some of the most dilapidated in the city.

On Wednesday, the mayor and other officials stressed that the city would do things differently this time.

Under the new program, the city will not take ownership of the properties, but instead will subsidize their rehabilitation through a third party, a nonprofit group called the Restored Homes Housing Development Fund Corporation. The group will purchase a majority of the 115 properties, hold title to the properties during the rehabilitation and then sell them at prices affordable to families making roughly \$80,000 to \$90,000 a year. Restored Homes is already doing similar work, buying, renovating and reselling foreclosed homes that the federal government had owned.

“What we’re trying to do is to not acquire a lot of land and properties and have it just sit there,” Mr. Bloomberg said. “What we’re trying to do is get it in, fix it up and get it back off our books into the private sector. It doesn’t do us any good if we’re holding it. You can’t house anybody. And it doesn’t generate tax

revenues. We don't want to make the mistakes that we had in the past.”

While the numbers of foreclosures in the city have been relatively low compared to other cities, there has been a wave of them in parts of Queens, the Bronx and Staten Island.

In 2007, there were 15,000 foreclosure filings in the city, an increase from 7,000 in 2005, city officials said. The number of foreclosure filings is expected to reach 20,000 this year.

As of October, the census tract in the city with the most foreclosure filings was in South Jamaica in southeast Queens, where 39 of the roughly 140 properties on one four-block stretch had been in various stages of foreclosure since 2004, according to data from the Furman Center for Real Estate and Urban Policy at [New York University](#) and [PropertyShark.com](#), a site with information about real estate transactions. Boarded-up homes with chains on the doors sit next to occupied houses, and a number of residents worry about declining property values and rising crime.

The properties in the new program, called the Neighborhood Stabilization Program, will be located in South Jamaica and 12 other neighborhoods that the city has identified as most in need of assistance, including those with the highest numbers of foreclosures and high-cost mortgages.

The City Council speaker, [Christine C. Quinn](#), said the city would make sure “that the neighborhoods that are most impacted and most affected by the foreclosure crisis don't slip away wholesale as neighborhoods,”

Julia Vitullo-Martin, a senior fellow at the Manhattan Institute and an expert in city housing policy, said that the new effort seemed like a “reasonable approach” to the foreclosure problem. But, she added, “I'm uneasy about it being in so many neighborhoods, because it's going to be so much harder to control and so much harder to assess than if they put it in one demonstration neighborhood.”

The mayor was also joined at the news conference by the secretary of the federal [Department of Housing and Urban Development](#), [Steven C. Preston](#). Mr. Preston said the agency had approved the \$24 million grant to the city. An additional \$54 million in HUD money was approved for New York State for similar programs.

In 1995, officials in the Giuliani administration announced that the city was formally ending its role as the “landlord of last resort” and would stop buying and managing tax-delinquent properties. By late 2003, the city had whittled down its tax-delinquent inventory to 800 buildings with 4,000 units.

A spokesman for the city's housing agency, the Department of Housing Preservation and Development, said the city still owns 156 of these properties.

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