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Suburbs Denied Federal Foreclosure Aid As Chicago Gets Millions



A foreclosed home to be auctioned at 3015 Adams St. in suburban Bellwood Tuesday, April 27, 2010.

John Konstantaras/Chicago News Cooperative

By **JUAN-PABLO VELEZ**
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Watch how foreclosures swept Cook County, and *meet* one developer who's doing something about it.

When a federal housing agency asked dozens of suburban cities in the Chicago area to band together to request a share of a \$2 billion federal fund to help renovate foreclosed homes, they did exactly that.

But when the Department of Housing and Urban Development announced the awards as part of the federal stimulus program on Jan. 14, these cities got nothing, while Chicago — which had fewer foreclosed homes in 2009 — got \$98 million.

The disparity has left suburban mayors, real estate developers and residents with few resources to draw on as they address a growing number of boarded-up houses and overgrown lawns. The inability of the suburban cities to get federal money also raises questions about the effectiveness of an Obama administration effort to break down the crazy quilt of competing jurisdictions that often stands in the way of regional development.

Foreclosures are “a regional issue, where groups of communities can be negatively impacted by what’s going on in one or more of those communities or in the broader region as a whole,” said David Pope, village president of Oak Park, which has had a spike in foreclosures but has not been as hard-hit as other western suburbs. “The federal response and state response have been inadequate to the task up to this point.”

Suburban officials criticize the federal program, the Neighborhood Stabilization Program, which encouraged cities to unite to deal with regional problems but then sent the money to Chicago. The total number of suburban foreclosures is greater than that inside Chicago. In dozens of communities in South and West Cook County, the concentration of foreclosures — the number of foreclosed homes per 1,000 residential properties — is on a par with

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Chicago's.

The Chicago metropolitan area has not been as hard hit as Las Vegas, Phoenix and several Florida cities where the real estate bubble expanded and then burst. Even so, foreclosed homes by the thousands — in any area — are a vexing problem because they invite vandalism and gang activity, depress values of surrounding properties and create upkeep and policing costs for towns.

To address such problems, suburban city and county governments united last year to apply for rehabilitation money as part of the \$2 billion stabilization program, a stimulus program intended to rehabilitate and resell the nation's glut of foreclosed homes. Suburbs that stood to benefit from the application, which was assembled by the Chicago Metropolitan Agency for Planning, included Aurora, Berwyn, Cicero, Elgin and Joliet, as well as dozens of others in Cook, DuPage, Kendall, Lake and Will Counties. Combined, these suburbs had 41,321 foreclosures last year, while Chicago had 22,685.

The suburban governments had big plans for their \$78.7 million request. Had they received the money, they expected to rehabilitate 408 homes, demolish 121 blighted structures and develop 97 vacant lots.

Officials at HUD, which ruled on the applications, would not discuss specifics, but did note that requests topped \$15 billion nationally, more than seven times the \$2 billion allotted by Congress.

Chicago's \$98 million award is the fifth largest in the country and the second largest among cities, after Los Angeles. Ellen Sahli, who oversees the housing agenda for Chicago's Department of Community Development, said the city distinguished itself in its application by involving community organizations with expertise in affordable housing.

In an effort to ease a problem that crosses local jurisdictions, HUD asked neighboring counties and municipalities to submit joint applications. It also hoped cities would coordinate anti-foreclosure efforts into a regional strategy rather than laboring at cross-purposes. The suggestions aligned with President Obama's effort to promote local collaboration and strategic regional planning in metropolitan areas, which are the nation's economic powerhouses but are ruled by a patchwork of local governments that often compete at the expense of regional development.

But HUD did not take collaboration into account when evaluating applications for the federal stabilization program.

"We did submit a regional, interjurisdictional proposal, but there was nothing in their scoring criteria that rewarded that," said Lee Deuben, a housing and community development planner at the Chicago Metropolitan Agency for Planning who wrote the suburban proposal.

Mr. Pope, the Oak Park village president, said: "It's disappointing, but it's not surprising. We're getting a lot of happy talk and lip service out of the administration and HUD about working regionally. But up to this point, there hasn't been a whole lot of there there."

Without federal money, suburban municipalities are ill-equipped to counter the spread of a foreclosure crisis that had centered on Chicago but has recently engulfed the suburbs with more force than the city. Unemployment and underwater mortgages are now the leading causes of foreclosures and have widened the crisis' geographic reach, according to the Woodstock Institute, a research and policy group focused on community development. The earlier wave of foreclosures that began in 2006 hit poor and minority communities on the South and West Sides of Chicago, areas that were targets of reckless practices by subprime lenders.

Foreclosures in these low-income areas remain near record levels: the city saw 22,685 new foreclosures in 2009, a 10 percent increase from the year before. The 41,321 foreclosures in the suburbs, meanwhile, were a 25 percent rise. Since the beginning of 2008, two of every three new foreclosures in the Chicago region have been in the suburbs.

But foreclosures in Chicago are having an outsized impact as economically distressed minority

neighborhoods face a years-long accumulation of decaying vacant buildings, Geoff Smith of the Woodstock Institute said.

“Without some intervention,” he said, “it’s going to be a lot harder to bring back those neighborhoods than the suburbs.”

Whether in suburbia or the inner city, foreclosed homes send ripple effects through neighborhoods. Boarded-up homes drive down nearby property values. They attract gangs and crime. They deepen blight.

As home prices decline, tax revenues fall. Meanwhile, municipal spending on contractors to board up houses, on the police and on social services increases. Local governments get caught in the pinch.

Federal neighborhood stabilization policies seek to contain this collateral damage. Local governments use federal money to snap up foreclosed homes, repair them and put them back on the market. The money can also be used to **demolish abandoned homes** and redevelop the lots.

In two rounds of stabilization financing, Chicago has now received a total of \$153 million. Suburban Cook County got \$28 million in the first round. The city is repairing 11 homes and plans to rehabilitate up to 2,500 others spread across 29 of Chicago's **most battered neighborhoods**.

Chicago Lawn, on the Southwest Side, is one. Neat rows of bungalows are dotted with boarded windows. Behind the plywood door of a brick two-flat on a recent Wednesday, construction crews busily gutted the building.

“I think it’s a great program,” said Karry Young, the real estate developer revamping the pre-war house. “I don’t think the economy will be jump-started as swiftly without it.”

One of 53 developers the city selected to turn federal dollars into bricks and mortar, Mr. Young is working on four houses in the neighborhood, employing 75 workers for four months. But there are hundreds more empty homes in this corner of the city and tens of thousands more across the metropolitan region.

“There is a significant need in our community on vacant, foreclosed properties,” said Ms. Sahli, Chicago’s first deputy commissioner of community development. “This is a drop in the bucket.”

Better a drop, perhaps, than nothing. State Representative William Davis’s district in southern Cook County has the highest concentration of foreclosures in Illinois, yet has received a mere \$9 million — funneled through Cook County during the first round of the stabilization program. Since the suburban proposal was rejected, no new money is on the horizon.

“There’s not even a Band-Aid to the situation right now,” Mr. Davis said.

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