

First, a wave of foreclosures; next, the wrecking ball?

By **STEVE BRANDT**, Star Tribune

March 17, 2008

One-third of the foreclosed houses inspected so far in north Minneapolis are candidates for demolition, according to the agency trying to rehab the state's largest concentration of empty housing.

Carolyn Olson of Greater Metropolitan Housing Corporation (GMHC) said her nonprofit housing organization has been inside 157 of the hundreds of foreclosed North Side homes. It's evaluating them for fix-up and resale.

But many pose a range of problems, from neglect issues like rampant mold to functional obsolescence due to size or floor plan. Some simply cost too much to fix. One house the agency toured contained only 500 square feet of space -- less than a standard one-bedroom public housing high-rise apartment -- carved into four apartments.

"That's probably not a keeper," Olson said.

Some houses have caving retaining walls. One otherwise nice triplex was covered in mold, Olson said.

One reason for the neglect, Olson said, is that about two-thirds of the foreclosed homes were owned by investors rather than occupants. "Some of that has not been very well taken care of," she said.

Olson's one-third estimate sounds low to one neighborhood leader, Roberta Englund of the Folwell and Webber-Camden areas.

"I think she's underestimating it, without a doubt," said Englund, based on her walk-throughs of similar housing.

"This is an American nightmare," said Rep. Keith Ellison, D-Minn. Ellison represents the area and organized a discussion of foreclosure and credit issues Monday.

The event began with a street-corner discussion at 29th and Dupont Avenues N., where adjoining blocks average six foreclosures each in the past two years.

Even when the house is fixable, fixing isn't simple. Every one that GMHC has encountered so far requires extra financing, because the market price of the renovated house is less than the cost to acquire and bring it to saleable condition. The state allocated \$10 million that is being used to buy the North Side housing, while the city and state finance the rehab work.

"If the market keeps going down, the gap will be bigger," Olson said.

Despite the obstacles, GMHC has purchase agreements on 43 properties, with offers outstanding on another 16.

City Housing Director Tom Streitz said that a process is needed to guide the rehab vs. demolition decisions of nonprofits. "I'm hearing that a lot of the stock is not going to pass the test," he said.

"We're very careful on what we would tear down," Olson said. She said some of the candidates for demolition may still attract offers from investor owners.

Mayor R.T. Rybak has said he'd like the city to have a right of first refusal on foreclosed housing.

Ellison touted legislation introduced by Rep. Barney Frank, D-Mass. It would provide up to \$300 billion in new federal guarantees for loans that refinance at-risk borrowers into viable mortgages. It would also provide \$10 billion in loans and grants for the purchase and rehab of foreclosed homes, similar to GMHC's work.

Steve Brandt • 612-673-4438