

Northeast Developers See Danger, Opportunity

BY BENDIX ANDERSON

Broken windows and splintered front steps mar the empty home at 160 Elm St. in Orange, N.J. The two-story house is one of dozens caught up in the web of bankruptcy and indictments surrounding the collapse of a fraudulent local lender, NJ Affordable Homes Corp.

This could be just the beginning, warned Patrick Morrissey, executive director of Housing and Neighborhood Development Services, Inc. (HANDS), a local nonprofit developer.

Throughout the Northeast, affordable housing developers are struggling to grasp the extent of foreclosures in their neighborhoods and scrambling to limit the damage. "No one really has a handle on this," said Alan Mallach, research director of the National Housing Institute, based in Montclair, N.J.

Empty houses attract crime and depress property values, said Morrissey. He should know: Four years ago, HANDS fixed up two other abandoned homes on Elm Street and kicked out the crack dealers who had done business there. Thanks in large part to HANDS, the number of vacant homes in Orange dropped from 392 houses 13 years ago to just 35 today. However, Morrissey expects the number to rise again as foreclosures spread.

"We thought we were done in Orange with vacant residential properties," he said. "We are finding ourselves having to go back."

Damaged developers

The crash in the for-sale housing



The foreclosed home at 160 Elm St. in Orange, N.J., has sunk into disrepair.

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-Patrick Morrissey,
executive director,
Housing and Neighborhood
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markets has wreaked devastation not just on neighborhoods but also on some of the affordable housing developers that help build them. Cape Ann Housing Opportunity, a Gloucester, Mass.-based nonprofit developer, is now teetering on the brink of bankruptcy. The developer created 26 condomini-

ums to be sold at market prices as part of Pond View Village, a mixed-income community in Gloucester. But as of November, after more than a year on the market, none of the market-rate units had sold, and the developer has defaulted on its loans (see story, page 54).

As property values drop, affordable housing developers and officials in many parts of the Northeast are going back

to the basics.

The officials in charge of Philadelphia's Neighborhood Transformation Initiative have helped developers build tens of thousands of housing units by serving up abandoned properties in some of Philadelphia's toughest neighborhoods. The city's new Web site also helps builders investigate the ownership of vacant lots themselves, saving them time and money (see story, page 50).

In New York, the state Housing Finance Agency (HFA) will make lending to mixed-income "80-20" projects in New York City a low priority. In recent years, these high-rise developments, in which a fifth of the apartments are reserved for low-income tenants, used up most of HFA's tax-exempt bond volume cap.

Instead, in 2007 the HFA will focus on projects that preserve existing affordable housing throughout the state (see story, page 46). ■