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Foreclosures, minority communities hit hard

Experts expect number of foreclosures to impede low-income neighborhoods' progress

By: L. Nicole Trottie

Dozens of housing and public policy experts projected a bleak forecast for foreclosures, with some predicting the worst is still ahead, particularly in minority neighborhoods'.

"This [foreclosure] is going to have a major impact on the economy for the next decade," said Malcolm Bush, president of the Woodstock Institute, a non-profit Chicago-based economic development advocate for low- and moderate-income neighborhoods that participated in a meeting held for municipalities, counseling and lending organizations last Thursday at the Federal Reserve Bank of Chicago.

A study by the organization found that foreclosures in Cook County during 2006 jumped 36 percent from last year, Bush said.

According to Robert Wharton, president of the Community and Economic Development Association of Cook County (CEDACC), minority communities have been hit the hardest.

Wharton sees the trend as a double-blow to low-income neighborhoods' that already have economic and development problems, such as Maywood.

Maywood, Mayor, Henderson Yarbrough agrees. "It's [foreclosures] a strain on the village economy". Not collecting on property tax and outstanding water bills can make the difference between someone losing their job and that's unfortunate, Yarbrough explained. "Its effect is felt by everyone."

Experts estimate 400 foreclosures this year

The problems of blighted development along 5th Avenue, and other business districts in the area, such as St. Charles Road, by no uncertainty, contribute to the rising trend in property taxes and foreclosures.

Foreclosure effects in the neighborhood

5th Avenue at-a-glance

The economic plight is readily apparent, in the heart of Maywood's business district, on 5th Avenue, in a predominantly black area, where two businesses are vacant, with one in litigation, the other in foreclosure, and three 20-plus occupancy apartment complexes up for the same.

The multi-family dwellings, located at 1832 S. 5th Ave; 701 S. 5th Avenue; and 901 S. 5th Avenue, owned by Forest Park-based Alechri Properties, the largest commercial real estate owner in Maywood, are in judgment for delinquent property tax with liens by the village for outstanding water bills estimated at about \$40,000 total.

The demise of West Suburban Imports, a Volkswagen auto dealer, located at 5th Avenue and Roosevelt Road in Maywood, filed for bankruptcy protection in October 2006, owing \$6.3 million to creditors, according to court filings. Soon after, the dealer's entire stock of inventory was physically repossessed by the Sheriff's Department. The lot remains vacant almost 6 months later.

In August 2005, village trustees voted unanimously to approve a redevelopment agreement between Springbrook Market No. 3 LLC and the village of Maywood. Following both parties acceptance of the agreement, the village Community Development

Department displayed a storefront sign that announced the doors to open for business in November 2006. However, Springbrook never opened its doors and subsequently filed a lawsuit against the village in August 2007.

It is not likely that the village will strike a new deal for the land parcel, located at 615 South 5th Avenue, until litigation is settled.



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In the News

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To offset the low business tax, homeowners are forced to pay increased property taxes. In many cases, for low-income households, this is the difference between just-getting-by and foreclosure.

In 2006 there were 376 property foreclosure filings and judgments in Maywood. Of those foreclosures, 266 were new filings. Vacant homes hit an all time high at 50 percent of the foreclosure rate, with 130 vacant or abandon homes, according to the Cook County Recorder of Deeds office.

Already in 2007, through the third quarter, the village has a record high 360 foreclosure filings and judgments. Based on the foreclosure rate of 2006, experts estimate more than 400 foreclosures in 2007.

A report by the Woodstock Institute, *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values*, shows that foreclosures have a significant negative effect on neighborhood property values.

According to the study, when isolating properties in low- and moderate-income neighborhoods, nearby foreclosures have an even larger negative effect on single-family property values. Estimates show property values declining by between 1.44 and 1.8 percent for each conventional foreclosure within one-eighth of a mile of a single-family property in a low- or moderate-income community. Given an average selling price of \$111,002 for properties in low- and moderate-income census tracts, this amounts to an average loss of between \$1,598 and \$1,998 per foreclosure for every single-family property sold in a low- or moderate-income tract. In affluent areas, neighboring properties tend not to lose value just because somebody down the block got overextended and lost the house. However, in an area like Maywood, with a 20 percent increase in foreclosures up from one year, and more than 130 vacant properties off the property tax list, that's going to have an impact on the schools, library, property taxes, community development, and neighboring communities, Geoff Smith, research director for the Woodstock Institute, said.

"When you have four or five foreclosed properties on [one] block, it has an effect," said Smith. "The properties are boarded up, and crime starts to rise." As a result, property values decline.

Note: The West Suburban Journal – News is collaborating with local agencies, lending institutions and lending counselors in an effort to help bring programs and fair lending resources to the community's attention. If you or a neighbor would like information about programs, please contact L. Nicole Trottie at 708-383-7975 or email ntrottie@westsuburbanjournal.com.

*Additionally, the Journal – News will be addressing foreclosures and its impact on the community in a series of special reports titled: *Foreclosures Effect on the Neighborhood**