

Nonprofit pushes ahead with foreclosure prevention despite challenges

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By DUANE W. GANG

A public-private partnership designed to ease the Inland region's foreclosure crisis has just sold its second house and is rehabbing seven more, the group's executive director said.

But as the Inland Empire Economic Recovery Corporation moves toward its goal of renovating and selling 100 houses this year, challenges remain.

The nonprofit public-benefit corporation must find two new board members; it could lose Riverside County as a partner this week, and it must deal with any potential fallout from an ongoing corruption investigation that has put its chairman and two of the businessmen that lobbied for its creation under scrutiny.

The recovery corporation was founded last year by the San Bernardino County Board of Supervisors with \$2.5 million in seed money.

Its goal is to pool public and private money to buy foreclosed homes and then sell them

to people who will live in them. By doing so, the recovery corporation hopes to stabilize home values and revitalize the region's economy.

San Bernardino County Supervisor Paul Biane serves as the corporation's chairman and pushed for the group's formation in late 2008. He is expected to brief his colleagues Tuesday on the group's progress.

Jeff Burum, an affordable-housing expert and co-managing member of developer Colonies Partners, also lobbied for the corporation's creation.

Burum pitched the concept in Washington, D.C., where a lobbyist he works with helped San Bernardino County approach federal lawmakers.

In December 2008, as the county was about to formally create the recovery corporation, Burum, a co-managing member of the Diversified Pacific Opportunity Fund, pledged an investment of \$10 million.

The investment never took place, and with the March 2009 arrest of a former county aide for failing to report gifts from Burum, the recovery corporation distanced itself from the businessman.

Meanwhile, Patrick O'Reilly, owner of Riverside-based O'Reilly Public Relations, also gave advice on how to market the public-private partnership and helped present the idea to local media. O'Reilly Public Relations billed more than \$60,000 for the work under an existing contract the firm had with the county.

Biane, Burum and O'Reilly are now under scrutiny as part of the ongoing investigation.

criminal complaint

A criminal complaint prosecutors unveiled Feb. 10 accuses former Supervisor Bill Postmus and former Assistant Assessor Jim Erwin, along with five unnamed and uncharged co-conspirators, of using bribery and extortion to obtain the votes needed for a \$102 million lawsuit settlement the county made with Colonies Partners in 2006.

Based on descriptions in the complaint, separate public records and statements, three of the unnamed co-conspirators appear to be Biane, Burum and O'Reilly. Burum and O'Reilly have no current role in the recovery corporation, officials said.

The recovery corporation itself is not part of the investigation.

In an interview Friday, Biane said he has done nothing wrong. He said the corporation's work will continue regardless of who is on its board.

"The bottom line: This investigation with the district attorney will pass," Biane said by telephone. "The good work that the county government and businesses like the Inland Empire Economic Recovery Corporation are doing will continue."

Robert Hooker, the corporation's executive director, said this week that he is not concerned about the ongoing corruption investigation affecting the work to buy and sell homes.

"We are a separate entity," Hooker said. "Supervisor Biane is the chairman of our organization. We are certainly autonomous from the county. I don't see any slowdown and setback."

In addition, Hooker said Burum has no involvement in the corporation.

But Inland economist John Husing said Friday he has concerns about how the ongoing investigation could affect the recovery corporation. Husing had a consulting contract with the organization that expired Jan. 31.

"I laid down a very firm rule, as did Larry Sharp," Husing said. "My involvement would be conditioned on absolutely no involvement from anybody involved in that controversy."

Sharp, CEO of San Bernardino-based Arrowhead Credit Union, resigned as a recovery corporation board member two days after prosecutors unveiled the criminal complaint.

In an interview Friday, Sharp said he resigned because of time constraints.

"Currently, being a financial institution with the economy being the way it is, I have had to step aside and focus more on the credit union right now," he said.

Sharp said he strongly believes in the recovery corporation's work.

"It can fulfill its mission," Sharp said. "It is very important to the Inland Empire that it be able to do that."

disappointing news

Sharp said he was disappointed to learn of the latest accusations against county officials. He said he hopes the investigation does not hurt the recovery corporation's efforts.

"I hate to see that because it distracts from the mission of the organization. I hate to see that kind of controversy and issue come up,"

Sharp said. "We have had enough of that in San Bernardino County and frankly one can only be disappointed."

When the recovery corporation started, backers wanted the organization to focus on both Riverside and San Bernardino counties. Riverside County agreed to become a member in February 2009.

But now, Riverside County Board of Supervisors Chairman Marion Ashley said he doesn't think the county should participate. Riverside County supervisors Tuesday will take up Ashley's proposal to withdraw from the group.

Ashley said he already has resigned from the corporation's board, citing time constraints and scheduling conflicts with his role on the Riverside County Transportation Commission.

Riverside County has not contributed funding, and Ashley said the county has its own foreclosure-prevention efforts.

"Our programs are working very well, and we don't need a program like that," Ashley said. "We are not going to put any money in."

Ashley said the corruption investigation was not a factor in wanting to withdraw. But he said it does make the decision easier.

"That's not the reason, but I am not unhappy to not be involved in that," Ashley said.

Biane said he will recommend a replacement board member from a city in Riverside County, and the corporation will continue to work in that county.

"I am disappointed Marion Ashley is not going to continue sitting on the recovery corporation board because of his real estate expertise and what he brought to the table," Biane said.

Work under way

Biane has praised the recovery corporation's work, even as its focus has shifted from buying homes in large quantities.

"The banks stopped offering properties in bulk," he said.

The corporation now looks to buy individual homes and conduct more foreclosure-prevention seminars.

Biane said it took some time to find contractors and private industry partners to purchase homes.

The recovery corporation's first renovated home sold in December. The Rialto home had fallen into foreclosure, and the corporation purchased it for \$67,000, put in about \$21,000 in renovations and resold it for \$110,000.

The sale of a second home closed last week, Hooker said, and seven more homes are under renovation. All are in San Bernardino County.

Hooker said he believes the corporation has had success, at least in a small way, in stabilizing home values in the neighborhoods where it is active.

"We are not the only answer. We can't single-handedly turn the whole market around," he said. "We can do our part."

Although started with seed money from San Bernardino County, Hooker said the corporation has built solid relationships with private-equity companies.

Rep. Jerry Lewis, R-Redlands, also helped secure \$1 million in federal Housing and Urban Development money for the recovery corporation.

The funding was given final approval in a spending bill signed into law in December.

Husing praised Hooker's leadership and the corporation's work to date.

"This is not easy and it has never been done before," Husing said. "The fact that this is a nonprofit doing public policy probably puts it into a special niche."

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