

OPINION

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POINT OF VIEW

Recovery corporation's public-private model is working

By David E. Mlynarski

A few years ago some were skeptical about using public dollars to help ease the region's foreclosure crisis and stabilize neighborhoods. The organization formed to receive these public dollars, the Inland Empire Economic Recovery Corporation (IEERC), has successfully used the funding to buy, restore and resell distressed homes. Today, I'm happy to say that despite early criticism, the corporation and its public-private model has proven to work well.

Public-private partnerships are a great approach to mitigating widespread community issues involving a significant, shared human interest. By working together, local government and private businesses unite their strengths and assets to deliver the best outcome for the public.

Preventing the spread of blight and lessening the foreclosure crisis

is vital to the general welfare of the region, but it's bigger than local government or the private sector can handle alone. It would not be possible to tackle the escalating number of foreclosures and keep our homes in local hands through existing funds and traditional procedures.

I commend San Bernardino County and its partners for having the foresight to see that a public-private partnership was the right vehicle for taking quick action, without the high upfront costs and risk.

IEERC fuses the business expertise, efficiency and management style of the private sector with the accountability and resources of the public sector. By leveraging public money and private investments, the financial and operational risk is shared and projects can be completed quickly.

In just two years, IEERC is successfully utilizing its resources to

minimize the impact of foreclosures in neighborhoods across the region. In 2010, IEERC bought, renovated and sold 38 distressed properties in the cities of San Bernardino, Ontario, Rancho Cucamonga, Upland, Rialto, Hesperia, Victorville, Highland, Adelanto and Yucaipa. Home prices in most neighborhoods where IEERC has bought and sold houses have stabilized. This year the corporation has started work on four homes and aims to acquire and complete 125 houses by the end of the year.

The corporation's success derives from its ability to buy homes in bulk at discounted prices, restore them to high standards and sell them for a profit.

Leadership has worked diligently to build strong relationships with real estate agents, asset managers and Fannie Mae to buy properties as inexpensively as possible. This allows IEERC to purchase more

homes with the resources it has and dedicate more funds toward renovations. With less upfront costs, IEERC is able to generate a profit when homes are sold and return capital back into the investment pool.

Now that the corporation is beginning to build revenue, plans are being made to repay the county and its other public investors. In time, all investments will be repaid and the corporation will be able to sustain itself on the capital it generates.

By using a business model to approach the local foreclosure crisis, we are creating a better outcome than the banking industry's attempts. IEERC's efforts are stabilizing real estate values and keeping homes in local hands and not in the control of out-of-state investors who would turn into absentee landlords. Instead, it is providing more homeownership opportunities to local

residents and allowing the region's cities and counties to continue to generate tax revenues through property taxes.

The corporation is also helping revive sluggish construction and mortgage businesses, and creating needed jobs for inland residents. Last year, IEERC created 54 full- and part-time clerical and construction jobs. This year, as it tries to triple the number of properties it completes and sells, IEERC will also triple the number of jobs it creates.

Business partnerships of any make-up yield the best results. Through IEERC, our local government and private businesses are working together to sustain and improve the local housing market.

David E. Mlynarski is principal at Transtech Engineers, Inc., and a board member of the Inland Empire Economic Recovery Corporation. Mlynarski is an urban planning expert and has more than 25 years of experience working on local projects in numerous Inland Empire communities.