

Inland Empire Economic Development Corp.'s first refurbished home nearly ready

August 24, 2009

By DARRELL R. SANTSCHI

A lot is riding on the 52-year-old stucco house with the dead tree and dying lawn in the front yard on Acacia Avenue in Rialto.

The house and yard fell into disrepair in recent years, neighbors say, as the occupants parted company and the two-bedroom home slipped -- like 1,400 other houses in town -- into foreclosure.

It will have a new owner in the next few months, if all goes according to plan, and San Bernardino County Supervisor Paul Biane says he wants to be there when the new owners get the keys.

Story continues below



Kurt Miller / The Press-Enterprise

The Inland Empire Economic Development Corp., says executive director Robert Hooker, will rehabilitate and sell foreclosed houses, such as this one in Rialto. The corporation plans to buy and sell up to 600 foreclosed homes a year in Riverside and San Bernardino counties.

"We are definitely going to take a few pictures and hug these people as they move in and enjoy their new home," Biane said by phone last week. "To see joy in their face will be icing on the cake."

Last year Biane proposed formation of what has become the Inland Empire Economic Development Corp., a nonprofit blend of public and private funding with the goal of buying, refurbishing and reselling as many as 600 foreclosed homes a year in Riverside and San Bernardino counties over the next five years.

The two-bedroom, 850-square-foot house in Rialto is the first. It was purchased at public auction in late July and is now being rehabilitated for resale.

It is a milestone for an organization whose formation was criticized as too hasty and for the San Bernardino County Board of Supervisors, whose decision to supply \$2.5 million in seed money was called reckless.

"After six or seven months of trying to get this thing going and a lot of naysayers out there, we are up and running," Biane said. "We have raised \$50 million and we are now buying and fixing up and selling homes."

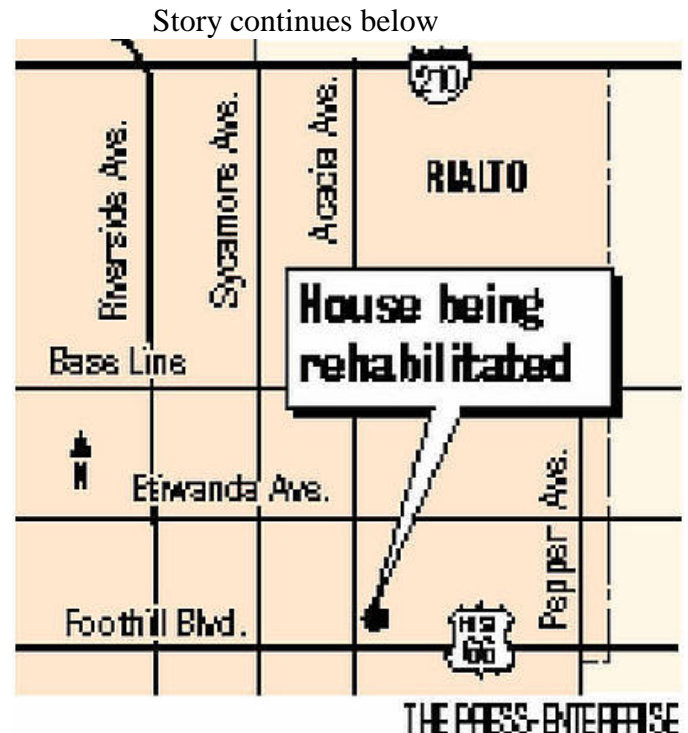
A \$50 million commitment came from San Diego-based Sierra Capital Corp., one of several private investors that will front the cost of purchasing foreclosed houses.

Inland Empire Economic Development Corp. will fix up the houses, using Inland businesses and workers to do the job, said Robert Hooker, the corporation's executive director.

The houses will then be sold on the market. Hooker expects the houses to average a 12 percent profit, with IEERC taking a 3.5 percent fee for managing the process.

While some of the county's money was spent on start-up costs, Biane says "We are very comfortable that the county will see a return" on its investment when the last of the homes is sold and the corporation dissolves in five years.

Hooker said the corporation has two goals: to rehabilitate foreclosed homes and to counsel homeowners in danger of losing their homes.



IEERC sponsors monthly workshops to educate troubled homeowners. As part of that, he said, homeowners sit down with a bank representative or a counselor to find out if their loans can be modified.

Buying, fixing and selling homes will be its primary mission, he said, and its biggest challenge.

The Inland Empire experienced about 140,000 foreclosures from March 2007 through July 2009, Hooker said. Most were tied to subprime loans.

"Those are really kind of behind us," he said. "There are not many more of those being foreclosed on."

The next wave of foreclosures should begin in the last quarter of this year, he said, and continue through 2012.

"Those are based on what they call liar loans," Hooker said. "Buyers didn't have to prove they had a job, they didn't have to prove they made as much money as they said and they didn't even have to prove they could make the payment."

At the same time, home prices in both counties have sharply dropped, he said.

Payments that took 31 percent of a buyer's income a decade ago now take only 20 percent.

Hooker is counting on that, and low interest rates, to attract buyers.

The corporation and its backers paid \$70,000 for the Rialto house, are spending another \$22,000 to fix it up and expect to sell it for \$115,000 to \$120,000.

Story continues below



Workers have already stripped out carpeting and tile, removed the cabinets and some of the closet doors.

"We have begun to reframe some of the doors," he said. "Really, we are in the clean-out mode right now."

By the end of August, he expects to install new flooring, new kitchen cabinets and cupboards, new carpet and new bathroom fixtures. The roof will be inspected and repaired or replaced if needed.

The goal of the corporation, Hooker and Biane said, is to target older homes in hard-hit neighborhoods that private banks and businesses would shy away from.

Margarita Viera, 58, who lives across the street from the Rialto house, said she is glad.

"That house has been empty for a long time," she said.

"When we moved here 14 years ago a woman owned it and she kept it up. The tree was always nice and green. It gave really nice shade and everything." Viera said. "It's so sad to look at it empty."

The tree is dead, or nearly dead, and will have to come out, Hooker said. New grass will be planted.

Patricia Becerra, 31, who lives next door, said she looks forward to completion of the rehabilitation work.

"It will look nice and make a better neighborhood for all of us living around here," she said.

But she is still concerned about who will buy the house and move in.

"We want nice people to live here," she said. "It would be nice to have somebody who will take care of that house and be responsible."

*Reach Darrell R. Santschi at 951-368-9484
or dsantschi@PE.com*