

Decaying apartments symptom of collapse of housing values

As landlords find themselves owing more than their properties are worth, some have simply walked away, leaving garbage to pile up. Others have disappeared into bankruptcy, with unpaid utility bills. Some have tried to reduce their losses by neglecting basic maintenance.

By **SAMANTHA GROSS**
The Associated Press
February 21, 2010

NEW YORK (AP) - There was no heat or hot water, so for weeks Mary Fountain would fill a bowl and put it in the microwave, then strip off her extra layers to sponge herself clean.

Upstairs, her longtime neighbor, 70-year-old Gearaldine Davis, peers skeptically out at her balcony, hesitant to step onto the cracked concrete. The last time the city inspector came by, he told her he was afraid to walk out there.

This Bronx apartment building, where city housing violations have increased from 82 to nearly 600 in 16 months, is among thousands of rental properties from Los Angeles to Harlem showing a creeping decay as housing values collapse and funds for repairs dry up.

As landlords find themselves owing more than their properties are worth, some have simply walked away, leaving garbage to pile up. Others have disappeared into bankruptcy, with unpaid utility bills. Some have tried to reduce their losses by neglecting basic maintenance.

"There are 100,000 apartments teetering on the edge" in New York City alone, said Harold Shultz, senior fellow at the Citizens Housing and Planning Council. "And depending upon the way various winds blow, they could fall over."

Across the country, multifamily mortgages covering 340,000 apartment units and worth an estimated \$28.8 billion were delinquent or in foreclosure at the end of 2009 - more than 18 times the sum from two years earlier - according to Real Capital Analytics.

Earlier this month, a Congressional report warned that the deterioration of these properties could drag down the value of the surrounding neighborhoods. In New York, where these troubled investments centered on gentrifying areas of the Bronx and Harlem, advocates worry the problems could deliver lasting blows to neighborhoods that have long struggled.

Of New York City's 1 million rent-stabilized apartments, more than one-tenth are facing severe financial distress, says Rafael Cestero, commissioner of the city Department of Housing Preservation and Development. Of those, more than one-quarter have deteriorated visibly since the beginning of the downturn.

In much of the country the phrase "affordable housing" brings to mind government-owned housing projects relegated to the poor. But in pricey New York City, government-regulated rental apartments have long been a path to survival for middle-class workers.



BEBETO MATTHEWS / AP
Tatequa Aridi, 22, arrives home at the 1,232-unit Riverton Houses in New York. A judge has ordered the foreclosure sale of the Harlem complex.

The owners of the largest of the city's affordable-housing complexes, Stuyvesant Town and Peter Cooper Village, recently gave up the 11,000-unit property when they couldn't make their mortgage payments.

At 1520 Sedgwick Ave. in the Bronx, Davis can remember a time when the building was gleaming, when there were palm trees and telephones in the lobby for residents. In the 1970s, DJ Kool Herc spun records in the community room here, which officials later called the birthplace of hip-hop.

Now, the shine is gone. The community room door is locked. And Davis recently got down on her knees to find every crack in her apartment and stuff them with steel wool to keep out the rats.

Back downstairs, Fountain chides her 12-year-old granddaughter for venturing through the hallways alone. The Fire Department is here everyday, it seems, to rescue people trapped in the creaky elevators. And the temperamental lock on the front door has made the stairwells a gathering place for shady characters.

But both women feel that leaving isn't an option.

"Where am I going to go? Stay in the river?" Davis said, gesturing toward the waterway outside the building. "I don't have money ... I pay rent before I buy food because I know I've got to have a place to stay."

The building's owners have already racked up housing violations on two other Bronx affordable-housing properties and let them go into foreclosure. For now, 1520 Sedgwick remains on the market, city housing officials say. A lawyer for Mark Karasick, one of the owners, did not return a call for comment.

In Chandler, Ariz., the landscape is different, but the story is similar.

The Phoenix suburb was home to some of the 25 properties that Bethany Holdings Group LLC abandoned in California, Arizona, Texas and Colorado.

Trash began piling up on the properties; the pools were covered with green scum. If the city hadn't stepped in, the water would have stopped running, said Daniel Anderson, the city's senior code inspector. Midland Loan Services Inc., which hired the receiver who took over about a dozen of the Bethany properties, did not return a call seeking comment. The listed number for Bethany Holdings has been disconnected.

In East Palo Alto, Calif., creditors are in the process of foreclosing on more than half of the city's rental units. Maintenance, repairs and security suffered at the 1,800 apartments until the city and court-appointed receiver David Wald stepped in, said Wald. A message left for Page Mill Properties LLC, which controlled the properties, was not returned.

In Washington, D.C., The Urban Institute estimates that 2,500 of the city's renter-occupied housing units were in foreclosure in July - double the number two years earlier. In Los Angeles, housing officials put the number at 5,900 last year, more than triple the 2007 figure. In Chicago, 1-in-8 apartment units in multifamily buildings no longer generate enough revenue to cover operating expenses, according to a DePaul University study.

In the hopes of rescuing some buildings, New York City has put aside \$750 million to help renovate and refinance properties that are under water. Cestero says he wants to avoid a repeat of the 1970s and 1980s, when financial distress faced by apartment buildings eventually led to the deterioration and abandonment of neighborhoods.

Earlier this month, a judge ordered the foreclosure sale of the 1,232-unit Riverton Houses in Harlem, which drew many black veterans and their families when it was built in the 1940s. Now, residents are worried about what the future holds for their tree-lined community.

Tatequa Aridi, 22, reminisces about growing up in the same apartment that his grandparents lived in. All his neighbors know him, he says, adding that he wants to make sure nothing will force his family to leave.

A neighbor, Yolanda Sapp, says she finds the uncertainty frightening.

"I like my apartment. I like my neighbors," she says. "I don't know how this is going to affect us."

Associated Press writer Jacob Adelman in Los Angeles contributed to this report.