

GANNETT

Housing: Sioux Falls dodges foreclosure clusters

But meager outside investment means slow turnaround for troubled homes

By: Jonathan Ellis – February 17, 2013

If there's an upside to the home foreclosures that have hit in Sioux Falls since the start of what some are calling the Great Recession, it's that they've been dispersed throughout the city rather than concentrated in one particular area, officials say.

And that makes managing the potential problem of longstanding vacant homes easier, unlike in other cities, where borrowers in concentrated areas got behind on mortgages and entire neighborhoods deteriorated.

"Sioux Falls isn't like Las Vegas, Phoenix or California," said Rick Sawvell, an agent with Hegg Realtors. "We don't have whole blocks that are foreclosed."

In some cities with large numbers of foreclosures, hedge funds and other large investors are leading the housing recovery by buying many homes and then renting them, said Mark Calabria, the director of financial regulation studies at the Cato Institute, a libertarian think tank in Washington.

"I think Sioux Falls is probably not attracting a lot of outside money in terms of investors," Calabria said. "That's going to make the process slower."

Still, there are some small clusters of foreclosures in Sioux Falls. City data show that the Whittier neighborhood, in northeastern Sioux Falls, has been hit with 94 since 2008.

In the All Saints neighborhood in the central part of the city, three homes on three blocks of Dakota Avenue were foreclosed last year. They followed five other houses that had been foreclosed since 2008 on the same three-block stretch.

A few years ago, Craig Olson and his wife bought one of the earlier foreclosures, and they have done extensive remodeling to modernize the house. Next door to the Olsons sits a home that was foreclosed last year.

That home in the 1100 block of South Dakota Avenue, which now is owned by the federal government, recently was listed for sale. But it underscores the lengthy amount of time that some foreclosures can stand empty. Neighbors say it's been vacant now for a third consecutive winter.

The grass wasn't mowed for two years. Luckily, Olson said, there was enough vegetation in front to cover the long grass, although that vegetation also is overgrown.

Olson said he hasn't had a problem with the vacant home next door. It's been peaceful, and he added that there's a cat living somewhere on the property that takes an interest in the resident rabbit population.

He put a block in front of a screen door to keep the wind from banging it shut, and he has mowed the grass on the median and cleared snow and leaves from the sidewalk to keep it open.

Recently, he went inside the home during an open house. He expected to see the plaster cracked because the home wasn't winterized until last year. But the walls looked fine, he said.

Last year, after the home was winterized, he said gas to the furnace was shut off. But on his walks, he could hear the power vent motor running on the furnace. So Olson called a phone number from a sign on the front door to report the problem. The woman who answered told him he would need to report the issue to Housing and Urban Development. He didn't know where to report the problem.

"That thing ran for at least two more weeks," he said. "It was either two more weeks before it burned out or someone came to flip it off."

He simply tried to help, he said, but the process didn't allow him.

"It's just run so poorly, you can't help them," he said.