

THIS WAY FORWARD

THE BUILDING BLOCK



Funding Foreclosure Renovations

➤➤➤ A real estate industry veteran turns his attention to foreclosed homes and the builders who want to rehabilitate them.

By George N. Saliba, Managing Editor

Billy Procida, a household name in the real estate community and beyond, is now more than a year into his "Fix 'Em & Flip 'Em" program. Designed to provide capital to builders and investors who buy and renovate one- to four-family homes and small mixed-use properties in the Tri-State area, "Fix 'Em & Flip 'Em" - a component of Englewood Cliffs-based Procida Funding - has been involved with some 30 projects to date.

Today's housing market includes legions of foreclosed homes that sit vacant, often stripped of their valuable plumbing, wiring, and kitchen and bathroom fixtures. On the one hand, average couples typically don't want these homes because they aren't willing or able to transform them through months of renovation. On the other hand, builders need money to rehabilitate the homes, yet funding is often in short supply. The overall problem is

compounded as foreclosures continue to mount.

However, Procida Funding, through a combination of Billy Procida's expertise, personal cash, lines of credit - and with the assistance of a "few select investors" - has been able to push projects forward.

Procida says, "When I was 18 years old, if you gave me money, I was loyal to you forever. When the housing cycle gets going again, a guy buying four homes now will be buying a 20-unit condo, and I'll back him on that, too. Then, he'll go from a 20-unit condo deal to a 100-unit condo deal, and so on. I am an incubator, although I don't call it that. I am taking a carpenter who is swinging a hammer and teaching him how to be a developer. I am also teaching him marketing and finish lessons. ... For example, if there is a \$50,000 budget for construction, where do I spend it? Do I get a new front

door, or do I keep the old one? I help them through all this ... I hope to have a gang of guys that were tradesmen, who, three years from now, are full-fledged developers. Because if every developer in America had swung a hammer at one point in their lives, we wouldn't have the trouble we are having."

Procida says a major headache has been purchasing relevant homes: Of the approximately 250 short-sale offers he has made, 50 signed commitments have fallen through, due to the seller.

"If you go to any of the national services, you have 3,000 kids on [telephone] headsets, trying to follow a manual that is about eight inches thick," he explains. "What happens in a short sale is they talk, they talk, they talk - they can never get the same person on the phone twice - and finally somebody agrees to the sale. Then, a month later, you have somebody else new you are dealing with who wants to start all over again."

While Procida claims the national services want to slow down sales because they believe doing so will lift the housing market, he disagrees with that rationale. "The market is not lifting [prices]. Housing prices are not going up 20 percent - they will flatten out for the next three years until they are all absorbed. The only way they are going to get lifted is through asset disposition," he says.

Overall, the future looks bright for Procida's business, as foreclosures, unfortunately, are expected to persist. Next year, Procida plans to launch a special fund to raise more capital, to accommodate a greater project volume. **NJB**