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Nonprofit to fix up, resell foreclosed homes

Coalition chases \$8.9M in federal funds for effort

by [J.K. Dineen](#)

The real estate bust is creating a new and unexpected model for affordable housing developers on the Peninsula: the single family suburban ranch home.

With 2,500 homes on the Peninsula either bank-owned or in the process of being foreclosed on, **Habitat For Humanity** is swooping in to grab modest ranchers for one-third what they sold for two or three years ago. The trend is in stark contrast to the longstanding acceptance that multi-story condo developments are the only solution to the Peninsula housing shortage.

Habitat for Humanity of Greater San Francisco has targeted Menlo Park's blue-collar enclave Belle Haven, East of Highway 101, where small homes doubled or tripled in price to \$700,000 or more during the housing bubble. Habitat has bought two homes there — one for \$225,000 and one for \$243,000 — and is renovating them for \$50,000 a pop. A third is under contract.

Meanwhile, the housing group is joining forces with six cities and nonprofits like the Housing Endowment and Regional Trust (known as HEART) to apply for a \$8.9 million Department of Housing and Urban Development federal neighborhood stabilization program grant that would fund the rehabilitation of 108 run-down foreclosure specials in the 11 poorest census tracts in San Mateo County. Menlo Park, East Palo Alto, South San Francisco and San Mateo County have pledged another \$5 million.

The Belle Haven model

Habitat for Humanity Executive Director Philip Kilbridge said he received a call a year ago from someone asking if they were interested in looking at vacant foreclosed homes, but it didn't pencil. A year later, with housing values under \$250,000, the math is very different.

“For under \$300,000 we will have an effectively new single-family home on a 5,000-square-foot lot with no HOA (home owners association) expense that raises the cost of owning a home,” said Kilbridge.

Belle Haven is a neighborhood of about 1,500 homes that borders East Palo Alto. While far poorer than the rest of leafy Menlo Park, the neighborhood has a new park, charter school

and Boys and Girls Club. But over the past year the neighborhood has been hard hit by the housing bust.

Between 6 and 8 percent of its housing stock is either bank owned or somewhere in the foreclosure process. Many blocks are marred by multiple vacant homes, boarded up and overgrown with weeds. Ramshackle sheds, shabby additions and converted garages are rented out by overstretched homeowners desperate to make mortgage payments.

A house at 118 Madera Ave. was boarded up for 18 months before Habitat bought it for \$243,000. Another Habitat house at 230 Market Place was full of possums. Habitat for Humanity only buys vacant homes that are in poor shape and unlikely to attract other first-time homebuyers.

“We hope the market turns around quickly because it’s better for everybody, but as long as it exists we are going to continue to do this in addition to our new construction.” said Kilbridge.

Menlo Park Councilmember Andy Cohen, who originally reached out to Habitat for Humanity about the idea, said he was initially concerned about public safety of “homes being ... turned into squat houses.” But then he realized that this was a chance to create affordable housing. Ash Vasudeva, president of the Belle Haven Neighborhood Association, said “a number of the properties were becoming eye sores and health hazards.”

The rehab

The price of buying a bank-owned home and rehabbing it is similar to the cost of a new development. Habitat recently finished an eight-town-home development in Daly City that cost \$296,000 per unit. But the development cycle with single-family rehabs is much quicker and easier, versus 3 to 5 years to entitle and build a multi-unit affordable housing project, said Kilbridge.

“You can have a family get in in three months if they do their sweat equity quickly,” said Kilbridge.

Jim Murray, director of government and legal affairs for Habitat, hopes the work will inspire other homeowners to buy neighborhood properties.

“When people see groups like Habitat, what kind of catalyst will our work be? Maybe other first-time home buyers will come in,” he said.

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