

The Almanac

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Foreclosures mount in Belle Haven

by Sean Howell

The number of houses foreclosed upon in Menlo Park over the past year has ticked over 100, and there doesn't seem to be much the city can do about it.

Almost all of those properties are in the Belle Haven neighborhood, according to Doug Frederick, the city's housing manager. According to the Web site realtor.com, which gathers data from a variety of sources, foreclosure proceedings have begun on more than 100 houses in Menlo Park this year.

Though its options are limited, the city is beginning to toy with the idea of using state funds to purchase some of those homes with an eye to re-selling them as below-market-rate housing. Menlo Park is required to dedicate at least 20 percent of its redevelopment funds to affordable housing development, according to Arlinda Heineck, the city's community development director. All the funds must be deployed in the city's redevelopment district, which includes Belle Haven.

Mr. Frederick said he's trying to find out whether it would be possible for the city to use redevelopment money to buy up foreclosed homes, "rehabilitate" them, and sell them as below-market-rate units to Menlo Park residents who qualify. Councilman Andy Cohen has asked city staff to pursue the idea, and Mr. Frederick said that, depending on the housing department's findings, the City Council might see a proposal to that effect within the next two months.

The other towns within The Almanac's circulation area also saw several foreclosures in 2008, but at nowhere near the rate that Menlo Park did. Ten properties in Woodside, five in Atherton and four in Portola Valley are in some stage of foreclosure — including two homes valued at nearly \$3 million, according to realtor.com.

"Basically on their own"

There's not much the city of Menlo Park can do for people who have already lost their homes, Mr. Frederick said; those people are "basically on their own."

"We haven't been able to come up with much of a strategy to work with those situations, because the issues are just so massive," he said.

The federal government has allocated funds to help stabilize neighborhoods that have been wracked by foreclosures, but San Mateo County hasn't seen a cent, according to Mr. Frederick. Such funding would have enabled the city to purchase and resell foreclosed units. But since that doesn't seem to be an option, the city

plans to turn to the redevelopment agency for assistance.

Temporary re-housing agencies such as Shelter Network and InnVision have been forced to pick up the slack. But the magnitude of the problem exceeds the capacity of such organizations.

InnVision, in particular, seems to be buckling under the stress of a damaged economy. The nonprofit's Menlo Park facility, housed in the VA off Willow Road, is in jeopardy following a precipitous decline in donations over the last three months, said CEO Christine Burroughs. InnVision has cleared out nearly half of the 100-plus beds in the facility since Jan. 1, according to Ms. Burroughs, and is trying to stay afloat while it looks for a way to keep the shelter open.

The turmoil at InnVision will likely put more of a burden on Shelter Network's Haven House, the other the only temporary housing facility in Menlo Park. Its campus contains 24 one- and two-bedroom apartments — mostly for renters whose leases were abruptly terminated when their landlords defaulted on the mortgage, according to spokeswoman Jenny Luciano.

As of early December, 135 families were on the wait list for those apartments, Ms. Luciano said — three times the average in a stable economy. (The agency also offers financial assistance, helping families with an income to pay for a deposit on a new rental.)

Ms. Luciano and Mr. Frederick, the Menlo Park housing manager, both called the rate of foreclosures "unprecedented."

Why now?

Many blame the high foreclosure rate on banks for offering "sub-prime" mortgages that homebuyers couldn't afford in the first place.

But Mr. Frederick outlined a situation in which someone might have bought a house in Belle Haven for \$500,000 a year ago, with an adjustable-rate mortgage. It would not be unreasonable, he said, to think the mortgage payment might have increased by as much as \$800 per month at the first re-setting of the rate, he said — an amount the homeowner could no longer afford, given the state of the economy.

At the same time, the value of the property might have plummeted to \$300,000 during the market collapse; but that doesn't mean a bank would agree to renegotiate the mortgage. The homeowner would find herself on the hook for nearly double the house's value, and might choose to cut her losses and default on the loan, rather than continue to pay for a home worth less than what she owes.

Habitat involvement?

Like the city of Menlo Park, the low-income housing agency Habitat for Humanity is looking into buying and reselling foreclosed properties, Mr. Frederick said. Habitat spokeswoman Jennifer Doettling said Habitat is looking into buying up to 20 houses in East Palo Alto, but that she isn't aware of a similar plan for Menlo Park. (Realtytrac.com shows nearly 300 properties in the foreclosure process in East Palo Alto, and over 350 in

Redwood City.)

In a letter to The Almanac, Ash Vasudeva, incoming president of the Belle Haven Neighborhood Association, said the association would be in favor of any plan to convert foreclosed homes into below-market-rate units. He suggested that Habitat could play a role in such a venture. Councilman Cohen also said that he would like to try to get Habitat involved in easing the foreclosure crisis.

If Habitat for Humanity does decide to buy foreclosed properties in Menlo Park, Ms. Doettling said, the project would have no impact on the viability of Habitat's proposed 11-duplex development on a city-owned strip of land on Terminal Avenue in Belle Haven. Habitat would not divert funds from the proposed Terminal Avenue project to buy up foreclosed houses, she said. (The Belle Haven Neighborhood Association has voiced stringen opposition to that development).

There hasn't been any discussion in the Menlo Park housing department over whether the city's potential purchase of foreclosed properties would have any bearing on the proposed Terminal Avenue development, Mr. Frederick said.

Mr. Cohen stressed that Menlo Park and East Palo Alto should work together to find a way to offer homeowner relief, because the foreclosure crisis is an issue two cities share.

"(Our efforts) may not produce a result, but then again I'm going to keep on plugging away because I think it's an important issue," he said.