

The Californian

# SALINAS GROWING NORTHEAST

## SPECIAL REPORT: HOUSING PRICES

### *About this series:*

Home prices in the Silicon Valley have people asking, "Do you know the way to northeast Salinas?" rather than San Jose. Like many other places in California, the Salinas area is experiencing a migration of potential homeowners, who want to buy houses in the city and surrounding suburbs, to new neighborhoods being built farther away. Tuesday, Wednesday and Thursday, the Californian will look at what is behind the exodus and how its target, South County communities, area accommodating the newcomers.

### *Tuesday 6/27/00:*

Home prices that average a half-million dollars in San Jose have turned northeast Salinas into a hotbed of new home sales, Realtors say.

### *Wednesday 6/28/00:*

Rising Salinas prices are frustrating Salinas residents who say they can't afford to buy in their hometown. Increasingly the option is south Monterey County.

### *Thursday 6/29/00:*

South County communities, especially Soledad and Gonzales, have new housing developments springing up on their edges as builders meet growing demand.

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6/28/00

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### [PART I](#)

By Laurie Giesen  
For The Californian

After a slow start in the early 1990s, sales of 251 single-family homes, ranging from 1,300- to 3,500-square-feet at Harrod Homes in northeast Salinas are beating projections. Work on another 270 homes is up next at the edge of the Gabilan foothills, said Salinas Realtor Norm Yop, the on-site salesman for Harrod. Other builders also are doing well in that area. Not only is demand exceeding supply, helping keep prices strong, but many buyers are drawn from the San Jose area, where the average home price hovers near \$500,000. "Now 20 percent (of potential homeowners) are from Silicon Valley rather than 2 per-cent four years ago," said Tim Hudson, a loan agent with First Western Mortgage, which is providing the majority of loans to buyers at a 500-acre CreekBridge development down the street from the Harrod Homes project.

"We've been the bedroom for the Monterey Peninsula for a long time and now Silicon Valley," said Salinas Mayor Anna Caballero. "The working-poor tourism salaries on the peninsula and those in agriculture have been comparable. But the Silicon Valley salaries are very different, and that's what is causing the real rapid rise in property values." For the past five years, new home construction activity in Monterey County has centered on northeast Salinas. Single-family homes are being swept up

immediately, said Sandy Haney, chief executive officer, Monterey County Realtors Association. The pace of sales has slowed some the past month, apparently because of higher mort-gage interest rates and stock market reversals, Haney said, who described the earlier atmos-phere as a buying "frenzy." "The Salinas market is holding its own," she said. "However, there is not the frenzy of activity that there was a month or two ago." The median resale price for a home in northeast Salinas for May 2000 was \$225,000 compared with \$173,500 for the same month a year before. During the first quarter, the average number of days a home was listed until it closed was 37, compared with 70 in 1999. "The housing market for three- and four-bedroom homes is on fire in north Salinas," Hudson said. Prices have been escalating, complete with bidding wars - three to five offers on a list-ing, Hudson said. A 1,355-square-foot, three-bedroom, two-bath home at CreekBridge cost \$149,000 11 years ago when such homes were first offered. This same size new home now costs \$267,500. "It's an outrageous increase in home prices," said Louise Oates, director of marketing and sales at CreekBridge. Said Realtor Yop, "I don't know how long this price spiral that we're in will continue, be-cause the Bay Area has absolutely driven the price increases." He cited an example of a San Jose-area couple in which the husband is a carpenter and the wife is a nurse: "How can they buy a \$500,000 to \$600,000 home? So they come down for the low \$300s or high \$200s, and they can buy a real nice high-quality home."

The influx of people from the north is altering the demographics of north Salinas, Yop said. "It's changing the makeup. It's more techie oriented," he said. One such "techie" who wanted to be a home dweller enough to commute two-plus hours each way is engineer Dennis Lefebvre. He now

travels by car, train and shuttle bus to work in San Carlos, about half-way between San Francisco and San Jose. Lefebvre and his wife, Marie, paid \$186,000 for their three-bedroom home in CreekBridge in March 1999. "It's like a dream come true," he said. "I didn't think it would be possible to own our home in Silicon Valley, but in Salinas it was possible for us to buy." Lefebvre said the long commute does wear thin, but he still prefers doing that to renting, as he did for 12 years in Campbell, a San Jose suburb. "It's a treat to be someplace where I don't have to answer to somebody else," Lefebvre said. "I pull up in front of the driveway and think it's all worth it." A flexible work schedule is what makes the drive bearable for Vince Doherty, who moved to CreekBridge from San Jose two years ago. "I kept driving south until I could find prices I could afford," he said. "I saw the new Mediterranean-style houses that were half the price of the San Jose market and decided the commute would be something I would learn to manage through telecommuting and varying my commute time." As more people move to the Salinas area from Silicon Valley, traffic is getting worse. "My wife and I leave for work at 5:15 a.m. and we're pushing it back half an hour," said George Galvis, a Harrod Homes owner who commutes to Sunnyvale.

"You do what you have to do to own anything. It's too expensive in the Valley - it's pretty much a closed shop." Yop said the Harrod Homes development is also drawing a significant number of upwardly mobile, first-time home buyers from west of Salinas: the Monterey Peninsula. Scott and Shari Krueger and their daughters, 2 and 4, rented a condo in Monterey before buying a three-bedroom, two-bath home at Gabilan Views, a Harrod Homes development, for \$214,000 in December 1999. Their hearts were really set on finding a home on the

peninsula, but their pocketbook spelled northeast Salinas. "It comes down to the dollar figure," Scott Krueger said. "We would have liked to have found something in Carmel Valley or Monterey, but there was no way we could afford it. And if we did get something, it would have been small and have to be redone. We didn't want to live like that." Hudson said he doesn't expect the trend of rising prices to reverse itself any time soon. In fact, he said, with Cisco Systems' plans to expand, prices may continue to rise. The high-tech giant is seeking approval from the city of San Jose to develop a \$1 billion computer industrial park in the Coyote Valley, on the southern end of San Jose. The city of Salinas, Monterey County and other local agencies have expressed fears that many of the 20,000 workers expected to be employed at the Cisco complex later this decade would buy homes in the Monterey Bay area. If that happens, local housing prices could jump dramatically again. In March, the local agencies asked San Jose to take a deeper look at regional housing and transportation issues in a draft environmental impact report on the Cisco project. Despite the requests, San Jose is wrapping up work on a final project EIR, which is expected to go the San Jose Planning Commission by next month. "I believe it's only a few months away from bidding wars escalating dramatically," he said. "And when Cisco breaks ground in Coyote Valley, watch out."

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By Laurie Giesen  
For The Californian

After searching for a year and still not finding a \$160,000 home he was willing to buy in Salinas, Kevin Morin was more than a little exasperated. Morin, who is single, finally bought a house in Soledad in April - a 9-year-old, three-bedroom, two-bath ranch-style home in Soledad. He's commuting 25 miles north on High-way 101 to his clerical job at Household Credit Services in Salinas. "It's disgusting," the 23-year-old said of home prices in Salinas, his hometown. "Here my peers and I are working 8-5 in Salinas for six years to get a house, and we can't even buy a home in the city we grew up in because of developers catering to the higher-class crowd from Silicon Valley." An increasing number of people like Morin are moving to cities further south in Monterey County where real estate is less expensive or simply continuing to rent.

"Salinas residents are scrambling to look where they can afford to move," said Sandy Haney, chief executive officer of the Monterey County Realtors Association, "and more people are looking at cities in South County than last year." The migration of Silicon Valley commuters - where modest homes can cost \$500,000 - to Salinas to buy a home they can afford has helped send prices out of the reach of more people here. "Salinas is beginning to price itself out for people living here - much more so in the last six months than the previous four years," said Tim Hudson, a loan agent for First Western Mortgage in Salinas. "People from Salinas who pre-qualified for loans are getting outbid," he said. "Four years ago, with an income of \$45,000 in north Salinas, someone could buy a four-bed, three-bath, two-car garage home for \$200,000 or less," Hudson said. "Now houses are \$100,000 more, which means \$1,000 more on house payments. That's a tremendous blow."

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## PART II

Three-bedroom, single-family homes that just a few years ago cost between \$160,000-\$200,000 and now cost \$250,000 are not an option for many Salinas buyers, Hudson said. Fifty percent of households earn below Monterey County's median annual income of \$42,000. These figures are of serious concern in a town made up of predominantly working-class people, said Dale Handley of Town and Country Realty in Salinas.

"We are increasingly becoming a bedroom community with the affordable housing for San Jose," said Handley, who has been selling real estate in Salinas for 25 years. "Everybody's concern in Salinas is, 'Where will our kids buy houses?'" Morin says he had to trade off living close to work and all that Salinas offers to find a home he could afford further south. "I was basically forced to live in the outskirts (of Salinas)," he said, "where there are limited resources for groceries, any household needs, and no family-style restaurants. Its claim to fame is its prison." Morin said he believes the city of Salinas ought to have a fund to help lower-income home buyers afford the homes they want. Morin rejected less expensive homes in east Salinas because he did not like the area. Salinas Mayor Anna Caballero had a blunt reply to Morin's idea of a city fund: "We don't have the money." "The government can't do everything. I feel very strongly about that," said Caballero, a 20-year resident. "People come and say we need nightclubs; we need a golf course; we need a skating rink. I get a little exasperated."

However, Caballero says the first priority of the city is to help the working class, meaning those who live and work in Monterey County. Since 1992, the city has raised \$6 million for a number of affordable housing programs, Caballero said. For a resident to qualify, he or she must make 80 percent or less of the county's median income. "We have more affordable housing

programs than any jurisdiction in this county," the mayor said. One such example is a first-time home buyer program that provides the down payment for a home to the winners of an annual lottery. Over the past seven years, more than 100 such winners have been able to buy homes rather than rent or move out of town.

Also, affordable housing is a required component of new homes and apartments being built. "For every private or nonprofit development, 12 percent of the units have to be affordable," said Caballero. The city's main focus is to help ensure additional funding and land for farm worker housing. "We are the breadbasket of the nation in terms of produce," she said. "If in fact the Salinas Valley and the property are so important, we're going to need help from the federal government. "We may have to look at how the federal government can help us house people to keep vegetables cheap." And Caballero supported Morin's ultimate decision to buy elsewhere. "We're never going to be as cheap as Soledad, so he made a wise choice," she said. "And if he went as far as King City, it's an even wiser choice because it's even less expensive down there." The median price for a single-family home in south county in April was \$165,000, according to the Monterey County Realtors Association. That was \$40,000 below northeast Salinas and its new home construction. Caballero compares Morin's dilemma to the commuters from Silicon Valley. "They want more value for their money, and he's doing exactly what they are doing," she said. "It's a chain reaction."

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### **PART III**

By Larry Parsons  
The Californian

Jim Chapman, a King City homebuilder for 23 years, is surprised by the early-bird interest in his latest planned tract of 58 homes. "I'm steadily getting phone calls on it, and I haven't even started advertising," Chapman said. Not surprisingly, most of the callers are first-time homebuyers following the tracks of hundreds of buyers in the past decade who've found their square feet of the American Dream in the less pricey South County housing market. "We're the cheapest deal in the valley," said Chapman, who plans to sell the first 14 homes in his new project at \$130,000. What's surprising is how many of the home-seekers are calling long distance from Salinas, 50 miles away. King City area residents have purchased most of the homes that Chapman has built over the years. "In the last month, I've gotten 10 calls from people in Salinas," Chapman said.

Talk to developers, real estate agents, and city officials from Soledad, Greenfield or Gonzales, and you'll hear more of the same. As home prices in the new tracts of northeast Salinas keep going up, due to skyrocketing real estate prices in Silicon Valley, more people from Salinas, the Monterey Peninsula, Watsonville and, yes, even Santa Clara County, are buying in South County. "It's a domino effect from Silicon Valley," said Sandy Haney, chief executive of the Monterey County Association of Realtors. "It takes Salinas residents down to South County." Gloria Ledesma, a Soledad native who's been selling South County homes for a decade, said: "It's supply and demand. You have a lot of demand and little supply. New home

subdivisions are sold out two years in advance."

For years, the basic pitch to South County homebuyers has boiled down to this: Save \$1,000 for every mile south of Salinas. The median price for a single-family home in South County in April was \$165,000, about \$40,000 less than northeast Salinas. Since 1997, about 1,000 new homes have been built in South County's four cities, and another 700 are in the works. Over half of the new homes were built in Soledad, with Gonzales and Greenfield running second and third. Gonzales' population jumped by 5.4 percent in 1999, while King City's increased 4.3 per-cent. Greenfield added 3.8 percent more residents and Soledad's population climbed by 3.4 percent. Since 1990, Gonzales' population has almost doubled, City Manager Henry Hesling said. Though many of the new homes have gone to South County residents - including employees at Soledad's two state prisons and managers in the valley's burgeoning wine industry - more and more are going to people who hit Highway 101 headed north weekday mornings, commuting to jobs in Salinas, the Monterey Peninsula and further.

"You get on the freeway between 3 and 5 p.m., and it is packed with all the traffic coming southbound," Ledesma said. With prices \$40,000 to \$60,000 less for a comparable home in Gonzales than in Salinas, Ledesma said, "People just say they'll buy a small car (and commute). It's a straight drive, an easy drive." Though the South County housing boom started a decade ago, it has picked up steam over the past year, as home prices kept escalating in Salinas. "This year, we didn't have a slow time (in the winter)," Ledesma said. Greenfield real estate agent Aaron Chavez said: "A year ago the buyer could haggle the price. We had plenty of inventory. Now we

have a shortage of inventory." And the tight seller's market is producing things seldom seen in the South County housing market: unsolicited letters to homeowners from would-be buyers; desperate home-seekers routinely overbidding sellers' asking prices. "Prices have risen so drastically in Salinas that we were priced out of the market," said Mike LeBarre, a Salinas machinist who bought a used, two-bedroom home in Greenfield a month ago. "We paid less than \$110,000 and the same thing in Salinas would have been \$180,000," LeBarre said. Though he and his wife, a retail manager at Northridge Mall, commute daily to their Salinas jobs, LeBarre enjoys the small-town, neighborly feel of Greenfield. "You don't hear cop cars at night. You don't hear a lot of traffic. Everyone drives slow," he said. "These towns have a lot going for them." Will Silva, a partner in Woodman Development Inc., a Salinas real estate company that began building homes in Soledad in 1995, said, "Obviously, South County is desirable because of its affordability."

But prices being commanded by bigger, upscale homes in South County are starting to raise eyebrows. The developer of a new tract of 75 homes going up in Gonzales, ranging in size from 1,900 to 2,500 square feet, is selling the homes for \$240,000 to \$282,000. "If I had told people two years ago that new homes in Gonzales would be selling for \$300,000, they would have laughed me out of town," said city building chief Joe Oncay. Though they are increasingly becoming bedroom communities, South County cities aren't fearful that their community identities will vanish in a maze of new streets, new homes and commuters' skid marks. The cities are making moves to strengthen their downtown business districts. And new residents, as their children start school and play youth sports, quickly become part of the

community fabric. "We're a little small town," Ledesma said of Soledad. A town where people still smile back at you on the sidewalk, she said, and where you don't think twice about letting your kids go across the street to play in the park "A lot of times you don't meet (your neighbors) until the weekend, because they're gone Monday through Friday," she said. But people get together at the YMCA, at Little League games and at school activities. "It's not two different towns, even though there are a lot of people commuting," Ledesma said.

Robert Thorp, a Greenfield real estate agent who's been selling South County homes for 20 years, said: "With a lot of first-time homebuyers, their intent is to stay for a few years and build up equity but some of them like the small-town atmosphere and stay." Hesling, Gonzales' city manager, said the community is mindful of not becoming just a bedroom community along the highway. "We hope not," he said. "It's not so bad (if) you can continue to build housing, as long as you can continue to make jobs and make sure agriculture is the base. That's why we want to be diversified."

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