

Landlords fighting cityhood

They financed fight in East Palo Alto

By Mark Nelson
Staff Writer

While minorities living in East Palo Alto publicly feud over incorporation, white absentee landlords have stood behind the scenes bankrolling legal challenges of the cityhood vote on June 7.

The out-of-town landlords, worried that rent control measures would be enacted and property values decline under a new city, have quietly been pumping money into a continuing fight to overturn the election.

Those opposed to the incorporation lost by just 15 votes out of 3,559 cast.

The property owners live primarily in the nearby wealthier communities of Menlo Park, Palo Alto and Atherton, but they're trying to protect sizable investments in impoverished East Palo Alto, which is scheduled to become a city on Friday.

Protecting investments

Some cityhood advocates brand the landlords as selfish money-grubbers, but the property owners contend there is nothing wrong with trying to preserve their financial stake in the area.

"Nobody would consider this at all odd if we were shoe manufacturers pressuring Congress for higher tariffs on imported shoes, but as soon as it's on the local level it suddenly becomes selfish," said the owner of four apartment complexes in East Palo Alto, who did not want to be named.

Ruben Abrica, an East Palo Alto tenant who won a seat on the newly formed city council, sees the landlord involvement quite differently.

Rent restrictions

"They've been getting away with what they want to under county rule," he said. "They raise rents, evict people for no reason and don't uphold health and safety codes. They don't want a city because they don't want to respond to anybody. Instead of making 100 percent profits now they're worried it will be 60 percent profits."

Abrica, the only non-black elected to the five-member council, pledged during the campaign to seek a renters' bill of rights, which would include restrictions on raising rents.

The landlords, who wanted the area annexed to Menlo Park, own property in a middle-class residential pocket on the west side of the Bayshore Freeway, north and south of University Avenue. The bulk of the new city lies east of the Bayshore.

The 1980 U.S. census shows that 95 percent of those

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living on the west side of East Palo Alto rent and that 40 percent of them are minorities. About 75 percent of East Palo Alto residents on both sides of the freeway are black or Hispanic.

Abrica conceded that even on the west side rents are generally lower than in surrounding cities, but he still thinks it's necessary to limit increases.

Property owners hired ex-Congressman and attorney Paul N. McCloskey Jr. to fight the incorporation election. So far, they've amassed legal bills of about \$20,000 for a lawsuit that failed to invalidate the election and to press their post-election allegation of voter fraud, according to Arn Cenedella, a real-estate agent and spokesman for cityhood opponents.

"Yes, it's true the landlords have footed a substantial portion of the legal funds," said Cenedella, who ran unsuccessfully for the council. "I can't really say who did contribute, and they don't want me to."

Some landlords, who would talk only if their names weren't used because they feared revenge from the new council, said they already have begun raising rents in anticipation of a rent freeze.

There are about 80 complexes on the west side with eight or more units. Landlords estimate that about one-third of the owners, about 20, have pledged or made contributions to the anti-cityhood cause.

One landlord, who said he owns \$3 million in rental property, said about one-fourth of the apartments on the west side "changed hands" in the past 18 months with variable mortgage rates that will rise annually. Many bought with the hope that the westside strip would be annexed to more affluent Menlo Park or Palo Alto, thus raising property values.

"These people are stuck with having to pay escalating variable loans now, with the prospect of not being able to raise their rents," said the landlord, who asked to remain anonymous. Further, he said his own property was automatically devalued by about \$750,000 after the cityhood vote because of the "stigma" of being in East Palo Alto.

Howard van Jepmond, who owns a 37-unit apartment complex, donated \$1,000 for legal expenses. Although he's concerned about rent control, he said,

he's unlike other landlords because he mostly worries about the economic stability of the new city.

"This area might have had possibilities if the elected leaders were responsible people, but they're not," van Jepmond said. "I'm helping out in the fight now, though, because of voter fraud."

When in Congress, McCloskey supported the decade-long movement to incorporate East Palo Alto, which was in his district.

However, he said, he changed his mind in the past year — when he left Congress after an unsuccessful bid to become a U.S. senator — because he doesn't think East Palo Alto is financially strong enough now.

The apartment owners forged an unusual alliance earlier this year with residents of East Palo Alto who opposed cityhood. The local citizen opponents, most of whom are black, battled incorporation primarily because they also didn't think the high-crime, low-income area had a strong enough tax base to support itself.

"It's the land developers, the tall white people from Palo Alto, who have controlled the opposition all along," said Barbara Mouton, a longtime local black activist elected to the new council. "If the truth be known, they just attracted a few blacks to their parade."

Cenedella, a white, countered that the alliance was democratically organized. He said local residents mostly ran and paid for in-the-field campaigning, but landlords have been the principal financiers for the legal challenges.

McCloskey first filed a lawsuit claiming that San Mateo County officials followed the wrong procedures in setting the election this year. The suit, which won in Superior Court but lost in the state Court of Appeal, was killed when the state Supreme Court refused to hear it.

After the election, cityhood opponents challenged the outcome on the grounds of alleged voter fraud and misconduct by precinct officers. McCloskey said these charges should be heard by a Superior Court judge by mid-August, but it's remotely possible his clients would push them to all the way to the state Supreme Court, if necessary.